THE DEINDUSTRIALIZATION OF METROPOLITAN TORONTO: A STUDY OF PLANT CLOSURES, LAYOFFS AND UNEMPLOYMENT

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Chapter 1

INTRODUCTION

Item: In October of 1980 SKF, the Swedish owned multinational bearing manufacturer, announced that in fourteen months hence it would close its Scarborough, Ontario plant. No one was more suprised than the workers themselves, some of whom had worked at the plant for over thirty years. The plant, by all accounts, was profitable and productive. The decision to close was made by Swedish management as part of a global restructuring process within SKF. On December 18, 1981 the plant closed and 310 workers were out of work.

Item: On September 8, 1983 Canadian General Electric announced that its heavy industrial equipment plant in Scarborough would close by March 1984. This was not the first closure of a C.G.E. plant in Toronto. Several plants have been sold or scrapped over the past ten years and employment levels in others have dropped dramatically as C.G.E. and its parent, General Electric of Fairfield, Connecticut, have changed corporate priorities and reorganized their production on a world scale. Over 425 highly skilled employees lost their jobs.

Item: Early in 1984 Canada Packers closed its hog and beef slaughtering operation in the west end of the City of Toronto. Business was down but profits were still good. Canada Packers was engaged in a company wide rationalization scheme to increase productivity. This involved installing new technology, introducing new management systems, workplace reorganization, and the closure of plants and departments. Nine hundred and fifty employees lost their job as a result.

These are just a few of the more publisized cases of plant closures that have occured in Metropolitan Toronto over the past several years. They are not isolated incidents. They are simply the most visible of a large number of plant closures and layoffs that are contributing to the deindustrialization of Metropolitan Toronto. It is a process that is euphemistically referred to as economic adjustment, and it is hailed by economists, policy makers and businessmen as a painful but ultimately positive process of adjustment to international competition and new economic realities. We call it "deindustrialization" because the ultimate result is a major loss of manufacturing jobs from Metropolitan Toronto.

Some have argued that the loss of industrial jobs from urban areas like Metropolitan Toronto is a necessary, logical, if not desireable outcome of economic transformation. Uniquely urban problems like aging multi-story plants, traffic congestion, poor road access, high land costs, high municipal taxes, and excessive planning regulations are frequently cited as the main reasons for municipal deindustrialization. Like all complex problems, there are many reasons underlying the phenomenon. Urban diseconomies do exist and for this reason some manufacturers have chosen to move their operations out of the urban area to the fringe of the Metropolis. But these explanations are not sufficient to explain the magnitude of job loss in Metropoitan Toronto that has been experienced over the past decade. There are many other factors

that are influencing the transformation of industrial production and these changes frequently are neither desireable or logical. Nor do municipalities have to remain passive in the face of deindustrialization.

Much of the deindustrialization experienced in Metro over the past decade has involved the closing profitable plants. It results from capital mobility on a global scale as corporations have sought to develop a new international economic order. Private disinvestment and industrial transformation are the products of an economy governed by the growing internationalization of economic life. Increasingly, traditional regional comparative advantages are becomming irrelevant and industry can draw on a virtually inexhaustible supply of cheap labour. This has made it possible for more corporations to make profits anywhere in the world and has contributed to a very high degree of industrial capital mobility. Rapid capital mobility is the product of economic management for profit without having to take into account all the costs, or the responsibilities, of corporate activity. It is the logical, but unnecessary, result of an economic policy based increasingly on trying to make the market work for business even if it doesn't work for people.

Economic policy in Canada is now dominated by the assumption that less government planning and more private sector profits will mean more jobs. There is serious reason to question this assumption in light of patterns of international, national and

regional capital mobility. Corporations are reestablishing their profitability as a result of the pro-business orientation of government. But the benefits of this profitability may not accrue to workers or their communites. The fact is that corporate priorities based on market criteria alone increasingly appear to be in direct conflict with community needs.

Plant closures and layoffs have made a substantial contribution to increased levels of unemployment in Metropolitan Toronto. They have left in their wake bitter resentment on the part of the workers who have been made redundant. They have been responsible for a wide range of health, psychological, and community problems that come with joblessness as well as a good deal of personal financial instability. They have resulted in enormous social costs in the form of increased unemployment insurance payments, welfare payments, social service costs, and health care costs. And they are contributing to a societal transformation characterized by a move from a high wage economy to a low wage economy and by the increasing polarization of incomes. Considerable public cost has been incurred by municipalities in this process as they have created physical and social infrastructure for business success only to find that corporations have little loyalty to their host communities.

Economic policy historically has been the responsibility of senior levels of government. Municipalities in Ontario have been constrained by their lack of legislative independence and their

limited revenue base. Where municipalities have acted they have mostly attempted to promote industrial development by advertising, the creation of industrial parks, or by attempting to remove any constraints to production, such as unnecessary zoning restraints or approval procedures.

It is tempting for municipalities to point the finger at senior levels of government and give up responsibility for economic development entirely. But municipalities can no longer remain passive in the face of an industrial and social transformation that is wreaking havoc with the industrial base of established urban areas like Metropolitan Toronto. Nor can municipalities simply attempt to create the correct conditions for private sector investment and private sector profits. Too often this leads to the subordination of the needs of workers and the community. The strictly market based orientation of business and government will not work to restore adequate levels of employment. The time has come for a new framework for economic policy. All levels of government need to respond to the current crises in new and different ways. Municipal government is no exception. This new framework should be based on the need for rational, planned, and efficient investment, greater community and worker involvement, and full employment.

For the past several years the Social Planning Council has been conducting research on problems caused by high unemployment. We have stressed that income security policies and

the community and the workers were to be affected adversely in any significant way. Little has been done to improve plant closure legislation since 1980.

Further work by the Social Planning Council on Canada's economic problems has focussed on the inapproriate nature of federal and provincial government commitments to restrictive fiscal and monetary policies. These have contributed to lower demand for goods and services and helped throw Canada into a recession worse than that experienced by most other comparable industrialized nations in 1982 and 1983. In our brief to the Royal Commission on the Economic Union and Development Prospects for Canada (The Macdonald Commission), Democracy, Equality and Canada's Economic Future, we emphasized the need for a new framework for economic development, a framework consisting of sound industrial strategies and a commitment to adequate social programs. In that brief we suggested the need for more democracy in economic decision making. One method of increased democracy and, we believe, more effective economic decision making, involves municipalities. This report is not primarily a policy report. It attempts to analyse the problem of deindustrialization in a new way so as to allow for more insight into the process of job loss at the local level. It is also an attempt to apply some of the economic policy principles developed in the Macdonald Commission Report to the municipal level.

This study has its origins in the concern of the Social

Planning Council of Metropolitan Toronto (SPC) for the social and economic health of the community. Unemployment is a major problem undermining our collective well-being. And deindustrialization is a major reason for high and persistent unemployment. However, the precise causes and consequences of deindustrialization are in dispute. The debate about the need for, and the content of, an industrial starategy turns on the resolution of these issues. In an effort to shed light on the causes of deindustrialization the Social Planning Council of Metropolitan Toronto investigated the majority of known plant closures and layoffs that occured in Metropolitan Toronto during the period January 1981 to March 1984. The results of this investigation present a startling portrait of the deindustrialization of Metropolitan Toronto.

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1. Ontario Legislative Assembly, Select Committee on Plant Closings and Employee Adjustment, Interim Report, Dec. 12, 1980

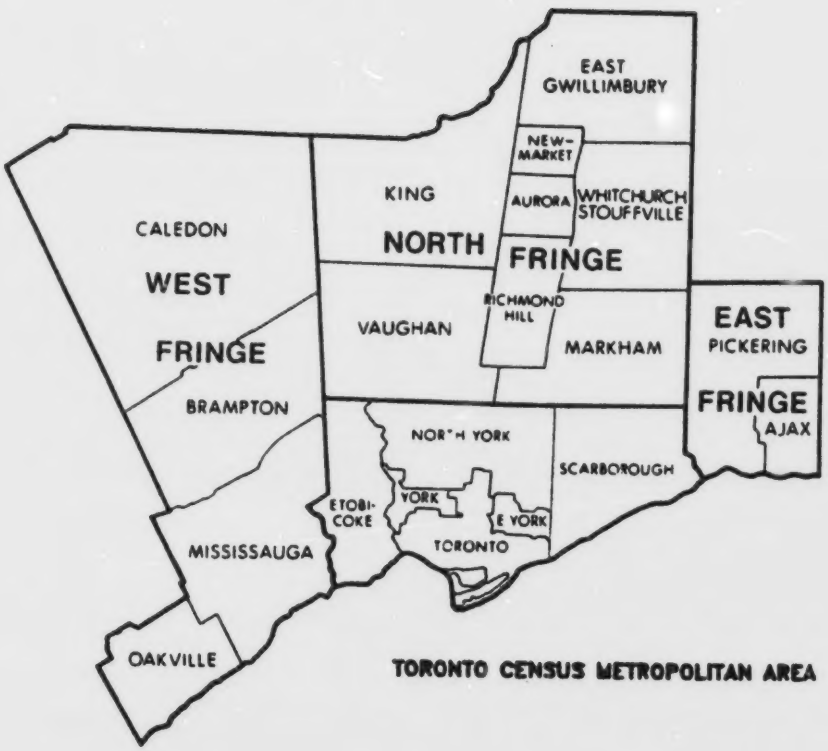
Chapter 2

THE CONSEQUENCES OF DEINDUSTIALIZATION

2.1 Job Loss in Metropolitan Toronto

Between the third quarter of 1981 and the second quarter of 1984 a total of 41,600 jobs, 19 percent of all manufacturing jobs in Metropolitan Toronto, were lost.[1] This may be a conservative estimate of the number of manufacturing jobs lost in Metropolitan Toronto. An estimate by the Municipality of Metropolitan Toronto puts the figure of manufacturing jobs lost over the period closer to 55,000.[2]

In fact the entire urban centered economy, an area known as the Toronto Census Metropolitan Area (CMA),(Figure-1) also experiened a decline in manufacturing employment over the same period. The CMA lost 32,000 manufacturing jobs from 1981 to 1984, fewer than Metro itself.(Table-1) This reflects the relative economic strength of the fringe area of Metro compared to Metro itself. Between 1976 and 1984, Metro experienced a decline of .6 percent in its manufacturing employment, while the CMA experienced an increase of 17.6 percent. By way of



TORONTO CENSUS METROPOLITAN AREA

TABLE I

MANUFACTURING EMPLOYMENT

(in 000's)

	Metro Toronto	Toronto CMA	Ontario	Canada
1976	185.8	341.8	909	1,921
1977	188.0	345.4	906	1,888
1978	192.5	350.4	940	1,956
1979	211.4	391.4	1,007	2,071
1980	205.7	402.3	1,009	2,111
1981	213.0	434.9	1,036	2,122
1982	196.0	393.2	951	1,930
1983	187.1	380.5	935	1,886
1984	184.6	402.2	1,018	1,952

SOURCE: Statistics Canada, The Labour Force. Normally Labour Force Survey Data for Metro and the CMA are not published by Statistics Canada. These figures were made available to the City of Toronto under special agreement with the federal government. We gratefully acknowledge the generosity of the Research Division of the Department of Planning and Development, The City of Toronto, for making these data available.

comparison, the Province as a whole experienced a 12 percent growth in manufacturing and Canada's manufacturing sector grew by only 1.6 percent. (Table-2)

These patterns of job loss reflect the process of urban deindustrialization. Urban deindustrialization is most pronounced in the centre of the urban area, in the City of Toronto, and it is more than a recent phenomenon related simply to the economic recession of 1981-83. Between 1971 and 1981, the City of Toronto actually lost 27.9 percent of its total manufacturing employment with every major industry sector but one, knitting mills, experiencing substantial declines. (Table-3) Moreover, on an industry specific basis, major losses were suffered at the Metro level in primary metal, machinery, and non-metallic mineral manufacturing. In addition, paper and allied industries grew by a meagre 1.9 percent. The pattern of urban deindustrialization that emerges is one that began initially in the core of the urban area, the City of Toronto, but which now has spread to the rest of Metro as well.

In 1981 the global recession hit Canada with a vengeance. Canada suffered more in terms of lost output and lost jobs than most advanced industrial nations. [3] Most of the job loss occured between August of 1981 and December of 1982. Manufacturing at the national level in Canada lost 18.7% of its total employment. Between 1981 and 1982, manufacturing employment in the CMA declined by 9.6 percent. The Metro level lost 7.9 percent of its

TABLE 2

GROWTH RATES OF MANUFACTURING EMPLOYMENT

	Metro	CMA	Ontario	Canada
1976 - 77	+1.2	+1.1	-0.3	-1.7
1977 - 78	+2.3	+1.5	+3.8	+3.6
1978 - 79	+9.8	+11.7	+7.1	+5.9
1979 - 80	-2.7	+2.8	+0.2	+1.9
1980 - 81	+3.6	+8.1	+2.7	+0.5
1981 - 82	-7.9	-9.6	-8.2	-9.1
1982 - 83	-4.5	-3.2	-1.7	-2.3
1983 - 84	-1.3	+5.7	+8.9	+3.5
1976 - 1984	-0.6	+17.6	+12.0	+1.6

SOURCE: Statistics Canada, The Labour Force. Normally Labour Force Survey Data for Metro and the CMA are not published by Statistics Canada. These figures were made available to the City of Toronto under special agreement with the federal government. We gratefully acknowledge the generosity of the Research Division of the Department of Planning and Development, The City of Toronto, for making these data available.

Table 3

Changes in Employment, by Industry,
Metro Toronto, City and Rest of Metro, 1971[1] - 1981[2]
(Place of Work)

	TORONTO (city) & Change	Rest of Metro (combined) % Change	Metro Toronto % Change
ALL INDUSTRIES	+9.0	+67.3	+33.6
PRIMARY INDUSTRIES	+17.5	+128.7	+54.6
MANUFACTURING INDUSTRIES	-27.9	+52.9	+15.4
Food and Beverages	-13.0	+66.8	+18.0
Tobacco	-23.6	+41.7	+23.2
Rubber and Plastics	-27.6	+62.5	+37.2
Leather	-33.9	+298.2	+12.6
Textiles	-21.1	+86.5	+22.5
Knitting	+21.4	+71.8	+38.9
Clothing	-7.3	+340.5	+29.0
Wood	-23.0	+50.4	+29.3
Furniture	-33.6	+144.1	+63.7
Paper	-52.4	+35.0	+1.9
Printing and Publishing	-18.5	+59.1	+13.7
Primary Metals	-31.8	-20.1	-26.3
Metal Fabricating	-49.9	+29.5	+5.0
Machinery	-50.3	+11.0	-13.0
Transport Equipment	-58.1	+133.4	+83.9
Electrical Products	-43.3	+40.2	+11.0
Non-metallic Minerals	-27.5	+0.5	-8.1
Petroleum and Coal Products	-	+85.0	+28.9
Chemicals	-38.2	+46.0	+11.5
Miscellaneous	-31.9	+46.5	+14.7
CONSTRUCTION	-12.3	+18.1	+4.0
TRANSPORT & COMMUNICATIONS AND UTILITIES	+13.1	+86.3	+33.1
TRADE	-10.4	+65.3	+27.0
FINANCE, INSURANCE & REAL ESTATE	+47.2	+122.8	+63.8
COMMUNITY, BUSINESS & PERSONAL SERVICES	+33.3	+91.5	+54.6
PUBLIC ADMINISTRATION & DEFENCE	+12.1	+66.7	+28.2

1. Census of Canada. 1971, Economic Characteristics: Labour Force: Industries. 94744. Table 10.
2. Census of Canada, 1981, Economic Characteristics: Ontario (93 - 966), Table 24.

total manufacturing employment in one year alone. Job losses have ceased at the national, provincial and the CMA level in 1984. But job losses continue to plague the Metro economy despite the relatively strong growth experiened in the CMA between 1983 and 1984.

It is tempting to dismiss the issue of Metro's manufacturing job loss because of the growth of manufacturing jobs in the fringe. There is, however, no straight trade off between job loss in Metro and job gains in the area surrounding Metro. Even if there was a simple locational shift of jobs from Metro to the fringe, there would be major costs of adjustment experienced by Metro and by workers in Metro. The fact is, however, that jobs lost in Metro are not all moving to the fringe. Frequently they represent a loss of these jobs from the region, from the province and even from the country. Urban deindustrialization represents profound structural changes in the urban economy and these changes are having substantial ill-effects on Metro.

2.2 Unemployment in the Toronto Area

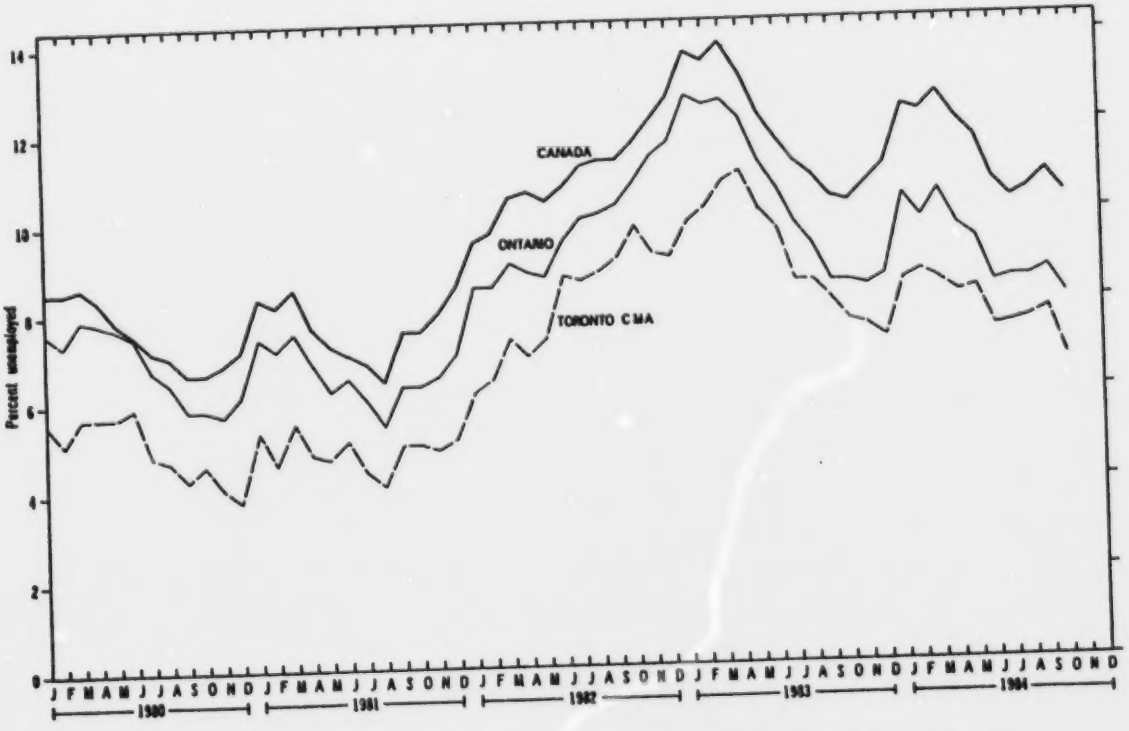
The loss of manufacturing jobs is directly related to increased rates of unemployment in the Toronto area. Between 1981 and 1982 unemployment in the CMA increased from 83,000 to

156,000. The main reason for this phenomenal rise in unemployment is the dramatic decline in manufacturing employment.(See Figure-2 and Table-4)

These are the official rates of unemployment. The Social Planning Council of Metropolitan Toronto estimates that in 1983 there were in the Toronto CMA, in addition to those officially unemployed, a further 21,000 discouraged labour market drop-outs, and 50,000 people working part-time but wanting full-time employment. These represent the "hidden unemployed" because they are left out of the official estimates. The real level of unemployment in the Toronto CMA in 1983 was 202,000 when these forms of hidden unemployment are included.[4]

National level data show that in 1983, 68% of the 1.4 million officially unemployed had lost their jobs, and that 83 percent of the increase in unemployment between 1980 and 1983 was due to job loss.[5] Based on these national level data, out of the 156,000 official unemployed in the Toronto CMA in 1983, 106,000 were unemployed because they had lost their jobs or were laid off. And 62,000 of the increase in official unemployment between 1980 and 1983 was the result of job loss or a layoff.

Figure 2


Percent unemployed
14
12
10
8
6
4
2
0
CANADA
ONTARIO
TORONTO CMA
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1980
1981
1982
1983
1984

Source: Statistics Canada, The Labour Force,(Ottawa: Supplies and Services) Cat. 71-001 Monthly, Tables 39 and 55.

TABLE 4

UNEMPLOYMENT IN CMA TORONTO/ONTARIO/CANADA

1975 - 1984

	CMA Toronto		Ontario		Canada	
	#	%	#	%	#	%
1975	78,000	5.5	242,000	6.3	690,000	6.9
1976	76,000	5.4	239,000	6.2	726,000	7.1
1977	96,000	6.6	278,000	7.0	849,000	8.1
1978	93,000	6.7	298,000	7.2	908,000	8.3
1979	79,000	5.0	278,000	6.5	836,000	7.4
1980	81,000	6.4	297,000	6.8	865,000	7.5
1981	83,000	4.9	293,000	6.6	898,000	7.5
1982	138,000	8.1	440,000	9.8	1,314,000	11.0
1983	156,000	9.0	474,000	10.4	1,448,000	11.9
1984	136,000	7.7	388,000	8.3	1,316,000	10.7

SOURCE: Statistics Canada, The Labour Force, Annual Averages, Cat. 71-529, Occasional.

2.3 The Changing Economic Structure

The loss of manufacturing jobs also signals a disturbing erosion in the quality of employment available in the Toronto economy. Based on Statistic's Canada's large firm only survey, between 1976 and 1983 manufacturing employment in the Toronto CMA declined 4.1 percent. The services sector increased by 36.4 percent over the same period. Average weekly wages in the manufacturing sector were $418. in 1983, while in the services sector they were $300., or 72 percent of the average weekly manufacturing wage. Moreover part-time employment is much more dominant in the services sector where it makes up 20 percent of all jobs compared to 5 percent in manufacturing.[6] It is also likely that this pattern of economic change has contributed to increased poverty since 1981.[7] It has been argued that manufacturing job losses contribute to a polarization of incomes in society because manufacturing wages represent the foundation of post-war middle class prosperity. There may be truth to this because, of the five income quintile groups in Canada, only the top 20 percent were better off in 1984 than in 1981.[8]. As manufacturing jobs disappear, so apparently does the middle income range. There is a danger that economic adjustment, as we have been experiencing it, will lead to more poverty and to an increasingly polarized society.

TABLE 5

EMPLOYMENT BY SECTOR

TORONTO CMA

	1976	% change '76-81	1981	% change '81-83	1983	% change '76-83
Manufacturing	283.2	7.5	304.5	-10.8	271.5	-4.1
Construction	30.0	2.3	30.7	-36.0	21.5	-28.3
Transportation/Communications & Utilities	84.6	15.4	97.6	-2.1	93.6	+13.0
Trade	137.7	14.3	180.3	-9.0	164.1	+4.1
Finance, Insurance & Real Estate	84.7	25.9	106.6	-2.4	104.0	+22.8
Services	111.5	+45.2	161.9	-6.1	152.1	+36.4
Total:	751.7	17.3	881.6	-8.3	808.8	+7.6

AVERAGE WEEKLY WAGES BY SECTOR

TORONTO CMA

	1976	1982	% increase 1976-1982	% of Manufacturing Wages 1982
Manufacturing	$242.02	$418.49	73%	100
Construction	334.99	544.26	62%	130
Transportation/Communication & Utilities	268.27	456.41	70%	109
Trade	186.35	298.56	60%	71
Finance, Insurance & Real Estate	228.30	415.20	82%	99
Services	185.73	300.32	62%	72

Source: Statistics Canada
Employment, Earnings and Hours.

2.4 Job Losses Within the Manufacturing Sector

Manufacturing employment represents 22.7 percent of total employment in Metropolitan Toronto. Its relatively small proportion of total employment obscures the fact that it is the core activity of an economy around which many other economic activities take place. Manufacturing employment, for example, has a high multiplier effect. This means that for every dollar generated in the manufacturing economy, there is another dollar generated in other sectors or industries.[9] Numerous service industries, such as stores and banks, as well support or feeder industries in manufacturing, are gained or lost with every manufacturing job gained or lost. Manufacturing activities tend to be important because they are frequently the basis of trade with other regions or countries. And manufacturing employment, as we have seen, has relatively high wages, particularly when compared to the strong growth, low wage jobs in the services sector.

The changes in manufacturing employment relative to total employment are only one form of structural change occurring in Metro Toronto's economy. The second is change within the manufacturing sector itself. Certain sub-sectors within the

manufacturing economy have lost considerably more employment than others, while some others have gained. Out of 66 major industry sectors in the Toronto CMA, 29 actually lost employment between 1975 and 1980. The largest employment declines were suffered by workers in small electrical appliance manufacturing, paper and plastic bag manufacturing, rubber products, leather tanneries, shoe factories, men's clothing, and miscellaneous electrical products.(Table-6)

A study undertaken for the Municipality of Metropolitan Toronto found that the largest declines in Metro itself over the period 1975 to 1980 were experienced in five sectors: metal fabricating, miscellaneous manufacturing, electrical products, machinery, and clothing.[10] Obviously, even during the relatively prosperous period of the 1970's, the CMA and Metro itself were losing employment in a number of major and important industries.

The more recent period of 1981 to 1983 shows declines in virtually every manufacturing industry. Still, some sectors lost more than others. Major losses were experienced in food clothing, furniture and fixtures, metal fabrication, machinery, transportation equipment, electrical products, and miscellaneous manufacturing.(Table-7)

TABLE 6

INDUSTRIES WITH DECLINING TOTAL EMPLOYMENT 1975-80, TORONTO CMA

	Manufacturing Industries	Decline 75 - 80	Per Cent Decline 75 - 80
103	Fruit & Veg. Processing	95	5.5
106	Feed Ind.	28	3.6
1072	Bakeries	317	6.0
162	Rubber Products	759	16.7
172	Leather Tanneries	564	48.7
174	Shoe Factories	535	18.0
187	Canvas Products Cotton & Jute Bags	28	3.4
243	Men's Clothing	524	7.7
245	Children's Clothing	38	5.3
246	Fur Goods	27	5.1
248	Foundation Garment Ind.	351	62.9
256	Wooden Box Factories	30	10.9
259	Misc. Wood Ind.	5	2.6
2733	Paper & Plastic Bag Manuf.	1128	12.3
274	Misc. Paper Converters	30	2.3
315	Office and Store Machinery	342	9.5
	Other Machinery	322	11.7
331	Mfrs. of Small Electric Appliances	1759	53.6
336	Mfrs. of Electrical Industrial Equip.	266	3.5
338	Mfrs. of Electric Wire and Cable	108	7.2
339	Mfrs. of Misc. Electric Products	493	6.5
Oth	Other Elect. Products	1200.	30.1
3511	Clay Products Mfrs. (Domestic Clays)	108	12.8
355	Ready Mix Concrete Mfrs.	101	8.7
Oth 357	Other Non-Metalic Mineral Prod. (incl. Abrasive)	728	33.4
374	Mfrs. of Pharmaceuticals & Medicines	25	.5
3781	Mfrs. of Pigments & Dry Colours	22	7.5
3782	Industrial Chemicals (Inorganic)Nes	302	59.3
3931	Sporting Goods Mfrs.	799	33.0
	Sum of Declines	11,034	

SOURCE: Statistics Canada, Census of Manufacturing, (all size firms).

TABLE 7

EMPLOYMENT INCREASE/DECLINES

1981-83 (February)

	Employment Increase(Decrease)	% Change
Food & Beverage	(2,200)	- 6.5
Rubber Products	(700)	-14.9
Textile Products	(400)	- 4.8
Clothing	(1,600)	-11.9
Furniture & Fixtures	(1,900)	-17.9
Paper & Allied	(800)	- 5.6
Printing and Publishing	(1,000)	- 3.7
Primary Metal	(500)	-10.4
Metal Fabrication	(6,100)	-20.7
Machinery	(3,600)	-21.8
Transportation Equipment	(6,200)	-20.5
Electrical Products	(4,700)	-13.5
Non-Metallic Mineral Products	(1,200)	- 5.0
Petrol & Coal	500	+ 2.7
Chemical & Chemical Products	300	+ 1.5
Misc. Manufacturing Industries	(3,100)	-10.2

SOURCE: Statistics Canada, Employment Earnings and Hours (Large Firm Data).

2.5 The Turnover of Plants and Workers

Detractors of the deindustrialization view claim that while certain sectors and certain regions of the economy are losing jobs, others are gaining and replacing those lost. It has been argued that people who lose their jobs because of a plant closure or layoff will be able to find a new job in a new industry, or location.[11] Others suggest that a decline in manufacturing employment, particularly in an urban area like Metropolitan Toronto, is a logical and even desirable progression towards a post-industrial society. Workers displaced from economically unhealthy industries will readily find employment in the new and expanding sectors such as in office and service employment. Aside from the fact that new jobs are not equivalent to the jobs lost in terms of wages, this perspective ignores the fact that transitions for workers are not simple or without cost.

From a social efficiency or social cost point of view what matters is whether inter-industry and inter-regional worker mobility is sufficient to clear labour markets. If labour markets don't clear in the process of economic change, unemployment is the result. If employment is expanding in Taiwan, Brazil, or even Guelph, Brampton or Mississauga, this does not offset the costs of job loss to workers in Metropolitan

Toronto and to Metropolitan Toronto itself. As Barry Bluestone, U.S. economist and co-author of The Deindustrialization of America has argued:

> "private and social costs are imposed on workers and communities...to the extent that that those displaced from declining industries in particular regions cannot find employment in equally productive jobs in other sectors. The level of imposed costs is a positive function of the rate at which employment is declining in particular sectors and regions and a negative function of the economic systems capacity to absorb dislocated workers into other areas of the economy. For this reason the velocity of sectoral and regional specific deindustrialization and the overall absorpive capacity of the economy are the proper phenomena to study. It is in this sense that deindustrialization is no myth."[12]

The problem rests partly in the fact that the economy is not currently expanding rapidly enough in other sectors to offset employment declines in manufacturing. Even if there were no absolute decline in the level of employment in manufacturing, there would be problems of mobility and adjustment if certain sectors were in decline while others were expanding. This problem of adjustment is frequently ignored by those who favour rapid economic adjustment through freer trade arrangements and the decline of "sunset" or mature industries and their replacement by "sunrise" or high growth industries.

The magnitude of the turnover of industrial plants and human labour in Canada is truly astonishing. In a study for the Economic Council of Canada, Baldwin, Gorecki, McVey, and Crysdale

found that of 141 major industrial groups analysed there was a closure rate among manufacturing establishments over a decade of 40%.[13] In the average industry in 1970 there were 105 establishments. By 1979 there were 93.(Table-8) But the aggregate figures don't reveal that, over the ten year period, aproximately 9 plants were divested and lost to the average industry, and a further 34 plants were scrapped. There were also aproximately 23 completly new plants added and another seven were added by the acquisition of already existing plants. Thus, even when jobs were growing and plants were added in the 1970's, workers experienced a phenomenal magnitude of displacement. In commenting on these findings the Economic Council of Canada pointed out that:

> "a surprising and little known fact is that 'birth rates' and 'death rates' are very high. This is true for the average Canadian manufacturing industry but it is also true for other industries and in the United States...the implications of this single fact for the adjustment process are profound."[14]

2.6 The Impact of Unemployment and Adjustment

There is little need to tell Canadians about the seriousness of unemployment. A recent public opinion poll conducted by Decima Research found that the "fear of joblessness haunted

TABLE 8

AVERAGE NUMBER OF FIRMS AND ESTABLISHMENTS
ACROSS 141[1] CANADIAN MANUFACTURING INDUSTRIES FOR
VARIOUS CATEGORIES OF ENTRY AND EXIT: 1970 and 1979

Firm Category	Number of Firms 1970	1979	Number of Establishments 1970	1979
All Firms	88.1	74.6	105.3	93.3
All Entrants[2]		24.6		28.2
1) Entry by birth		21.7		22.7
2) Entry by Acquisition		4.9		7.3
All Exits[3]	38.3		42.3	
1) Exit by Divestiture	7.2		9.4	
2) Exit by Scrapping	33.2		34.4	
All Continuing Firms[4]	50.3	50.3	63.5	65.4
1) with Continuing Establishments	49.8	49.8	58.3	58.3
2) with Divestiture	1.6		2.5	
3) with Acquisition		3.1		5.5
4) with Births		3.9		5.7
5) with Scrapping	3.7		6.2	

NOTES: 1) The sample corresponds to the 167 four digit s.i.c. industries for which data existed in both 1970 and 1979 less those industries classified as miscellaneous or 141 industries in total.

2) The number of firms that entered between 1970 and 1979 by births and/or acquisitions.

3) The number of firms that existed between 1970 and 1979 by divestiture and/or scrapping.

4) The number of firms that existed in both 1970 and 1979.

SOURCE: J. Baldwin, P. Gorecki, J. McVey and J. Crysdale, Entry and Exit From the Canadian Manufacturing Sector, Economic Council of Canada, Ottawa, February, 1983.

Canadians". Fully two thirds of those polled feared that they or their family breadwinner would lose their job in the forseeable future.[15] The fear is well grounded in reality. Plant closures and layoffs are the main reasons why people lose their jobs.

The notion that significant hardships are experienced by those who are laid off or lose their jobs as a consequence of economic adjustment is one that is not shared by analysts who encourage unrestrained economic adjustment. For example, a study by the Economic Council of Canada on Canada's adjustment to changes in technology and world trade claims, without reference to empirical evidence, that the social costs of adjustment or layoffs is low. In a remarkable oversight, the Economic Council ignores the substantial evidence of the negative effects of adjustment on workers in arguing:

> "as far as labour adjustment problems are concerned these also appear to be somewhat less traumatic than could have been the case in principle. The majority of displaced workers find work, mostly in other industries, and the spells associated with unemployment, while not exceptionally short, are not exceptionally long either. That would seem to imply that coping with labour adjustment problems in a constructive way, through policy, may not be as difficult as has been thought hitherto. And these conclusions remain important and useful in our view despite the fact that they are based on evidence from the 1970's, when unemployment was much lower than now."[16]

This dynamic view of the labour market, first popularized by the Economic Council of Canada in a 1976 report, People and Jobs,

sees unemployment as either of a frictional or voluntary nature, as well as of short duration. The basic assumption is that people who are laid off can and do readily find employment elsewhere. It rejects the notion that unemployment is chronic or persistent, and it de-emphasizes the social and economic costs of joblessness. The dynamic view of the labour market is based on the expectation that, although jobs are being lost, new jobs are being created and these are being filled by those who are displaced. Moreover, the time lag between the loss of a job and re-employment is judged to be low.

This view of economic adjustment is seriously flawed. Its empirical justification has been based on limited cross-sectional data that revealed that the majority of the unemployed in the 1970's found work after less than 14 weeks of unemployment. Meanwhile the duration of unemployment has risen significantly over the past decade. In 1976, the average duration of unemployment was 13.9 weeks. By 1984 it had increased to 21.3 weeks.(Table-9) Research by Sunder Magun, using longitudinal data over a five year period, found that only a few bear the greatest unemployment burden, and that long-term spells are relatively few, but account for much greater unemployment than would be expected on the basis of probability. About 25% of unemployed individuals accounted for almost half the total time lost because of unemployment between 1975 and 1979, each individual in this group experiencing on the average two years of unemployment

TABLE 9

DURATION OF UNEMPLOYMENT

CANADA AND ONTARIO, 1976 - 1984

(Average number of weeks)

	Canada	Ontario
1976	13.9	12.6
1977	14.5	13.9
1978	15.5	15.2
1979	14.8	14.2
1980	14.7	13.9
1981	15.1	14.0
1982	17.3	15.4
1983	21.8	20.4
1984	21.3	18.6

SOURCE: Statistics Canada, The Labour Force. Annual Averages, Cat. 71-529, Occasional.

consisting of repeated and long spells of joblessness.[17]

Furthermore, there has been extensive research on the consequences of layoffs and plant closures and unemployment in both the United States and Canada.[18] This research has been consistent in its findings that the adjustment process can be, and frequently is traumatic and destructive to those experiencing it.

A report by the Canadian Mental Health Association, drawing from a vast literature review, and numerous interviews with unemployed Canadians, documents the human tragedy that is unemployment.[19] Broken families, lost income, increased anxiety, suicide, alcholism, and health problems are only a few of the serious personal and social problems that are linked to unemployment and job loss. Nor do these effects simply remain at the individual or community level. Society bears a large economic burden in the form of unemployment insurance and welfare payments in addition to the increased costs of social services, health care, and crime. The most significant economic costs are the waste of human capital and lost production.

Landmark research by Harvey Brenner of Johns Hopkins University has found statistically significant positive relationships between a sustained increase in the rate of unemployment in the United States between 1950 and 1980 and increases in various stress indicators. The estimated impact of

4.3 percent increase in the rate of unemployment in the U.S. over a two year period was to increase total rates of mortality by 2.3 percent, cardiovascular mortality by 2.8 percent, cirrhosis mortality by 1.4 percent, suicide by 1.0 percent, the population in mental hospitals by 6 percent, total arrests by 6 percent, arrests for fraud and embezzlement by 4.8 percent and assaults reported to police by 1.1 percent.[20]

Recent research in the Toronto area reinforces these findings and verifies that layoffs and plant closures in the Toronto area are also contributing to serious social problems. A study by the Ontario Ministry of Labour of laid off employees from 21 plant closures in Ontario over the past several years (including six plants in Metropolitan Toronto) found that only 54 percent of the respondants to the survey had been continually employed since they had lost their former job; 11 percent had withdrawn from the labour market to retire or because they did not believe that any work was available. The remaining 35 percent were unemployed, 19 percent of whom had been continuously unemployed, and 16 percent of whom had been employed intermittantly since the closure. The experiences of men and women after the closure were markedly different. Over half the female respondants (55%) and 38% of the male respondants were unemployed at the time of the survey. Women, older males, and those with a low level of education were substantially worse off than younger males and those with higher education. Those who

found new jobs earned wages that averaged less than in their previous jobs. The study found that on the average men earned 9% less and women earned 20% less in real terms in their new jobs. Of those women that did find work, almost half were in clerical jobs, compared to one quarter before their plant closure.[21]

A more detailed study of one particular plant closure, the SKF plant in Scarborough, by York University sociologist Paul Grayson found that one year after the closure more than 60 percent of the terminated employees had not found another job. Grayson also found significant health and stress related impacts as a result of the closure. The health of workers who were laid off and remained unemployed was significantly lower than those who had found new employment. And he found that the health of the spouses of laid off workers also suffered as a result of the unemployment of their partners.[22] Grayson's study demonstrates the pervasiveness of the layoff problem and how it has ripple effects on other family members that may not be immediately apparent.

Capital mobility may be useful and necessary for the achievement of economic efficiency and productivity if the resources freed up are used in activities of equal or greater productivity. The problem is not capital mobility or economic adjustment per se. Rather it is with the productive resources, both human and capital, that are left idle as a consequence of capital restructuring. If significant levels of unemployment and

problems of unused and underutilized plant and equipment result, then there are serious questions of efficiency and equity that arise. High and persistent levels of unemployment in Metropolitan Toronto combined with the evident difficulty experienced by laid off workers to find comparable employment and in many cases any employment suggests that human resources at least are not being used efficiently.

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1. These figures are based on the monthly Labour Force Survey of Statistics Canada and are an estimate of the number of people employed by place of residence rather than place of employment.

2. This estimate is based on the Employment, Land Use, and Assessment survey conducted by the Municipality of Metropolitan Toronto every year. The survey is conducted on employing establishsments in Metropolitan Toronto

3. Social Planning Council of Metropolitan Toronto, Democracy, Equality, and Canada's Economic Future, Nov. 1983, p.22.

4. Social Planning Council of Metropolitan Toronto, Social Infopac, "Hidden Unemployment", Vol.3, No.1, February. 1984.

5. The other main reason for unemployment was job leaving. Statistics Canada, Labour Force Annual Averages, Cat. 71-529 Occasional, 1984.

6. Statistics Canada, The Labour Force, Cat 71-001.

7. National Council of Welfare, Poverty on The Increase, Ottawa, March 1985.

8. Woods Gordon, Tomorrow's Customers in Canada (18th edition), Toronto, 1984.

9. Robert Gardiner, Industrial Development in Metropolitan Toronto, Municipality of Metropolitan Toronto, June 1983. p.24.

10. Op.Cit., p.32.

11. This argument in support of capital mobility has been most eloquently presented by James Fallows, "America's Changing Economic Landscape", The Atlantic Monthly, March 1985, p.p.47-68.

12. Barry Bluestone, "Is Deindustrialization a Myth? Capital Mobility versus Absorptive Capacity in the U.S. Economy", ANNALS, AAPSS, 475, September, 1984.

13. J. Baldwin, P. Gorecki, J. McVey, J. Crysdale, Entry and Exit to the Canadian Manufacturing Sector: 1970-1979, Economic Council of Canada, Discussion Paper No. 225, February, 1983.

14. Economic Council of Canada, The Bottom Line, Ottawa, 1983. p.115.

15. The Globe and Mail, Dec.17, 1984, p.1.

16. Economic Council of Canada, The Bottom Line, Op.Cit, p.125

17. Sunder Magun, "Unemployment Experience in Canada: A Five Year Longitudinal Analysis" Monthly Labour Review, April 1983, Vol.106, No. 4, pp. 36-38

18. Jeanne Prial Gordus, Paul Jarley, Louis A. Ferman, Plant Closings and Economic Dislocation, Kalamazoo, The Upjohn Institute for Employment Research,1981.

19. Sharon Kirsh, Unemployment: Its Impact on Body and Soul, Canadian Mental Health Association, 1983.

20. Harvey Brenner, Estimating the Effects of Economic Change on National Health and Social Well-Being, A Study Prepared for the Joint Economic Committee, Congress of the United States, Washington, 1984.

21. Ontario Ministry of Labour, Labour Market Experiences of Workers in Plant Closures: A Survey of 21 Cases, May, 1984.

22. Paul Grayson, "The Closure of a Factory and Its Impact on Health", International Journal of Health Services, Vol.15 No.1, 1985.

Chapter 3

LAYOFFS AND PLANT CLOSURES IN METROPOLITAN TORONTO

3.1 A Case Study Approach

Most studies of economic change at the urban level have used aggregate data to describe and analyse trends in employment, productivity, investment, sales, and other aggregate economic variables. There have been only a few studies which have investigated the actual events surrounding a plant closure or a layoff. Up until now no studies have been undertaken in Toronto that have systematically investigated, case by case, the reasons why corporations move, reduce their operations, go bankrupt or just close down.

Because of this absence of firm level data, the Social Planning Council of Metropolitan Toronto undertook to determine the causes of plant closures and layoffs in Metropolitan Toronto's manufacturing sector over the past several years. A case study approach was adopted because it was felt that conventional, aggregate economic analysis did not provide adequate insight into the deeper structure of the economy and the

decision-making associated with job loss. This investigation was intended to assist in the development of intelligence for economic policy formulation at the municipal level.

The Ontario Ministry of Labour's Plant Closure Review and Adjustment Branch collects information on all layoffs that occur in Ontario if they involve more than fifty employees. This information is provided under requirement of statute in any major layoff for a period of more than three months. The Ministry records the name of the company, how many employees are affected, the industry, the ownership of the firm, and the kind of layoff that occurred. Three types of layoffs are defined: reduced operations, where a plant lays off a large number of workers because it has reduced production; a partial closure, where a plant would close one or more lines or operations in the plant while keeping others going; and complete closures, where the plant shuts down entirely. The total number of employees in Ontario affected by layoffs from January 1981 to June 1984 was 97,100. The number affected in the Toronto CMA was 32,573.(Table-10) These figures on layoffs are not generally considered an accurate estimate of the job loss directly related to reduction of manufacturing employment. First, there is a considerable amount of under reporting since only major incidents are required to report. Second, the high multiplier effect of manufacturing employment means that when jobs are lost because of a plant closure there are other jobs lost in other sectors as

TABLE 10

LAYOFFS IN ONTARIO BY SUB REGION

Sub Region	1981	1982	1983	(Jan.-June) 1984	Total
North	739	8,972	1,620	143	11,474
East	1,202	2,870	1,182	676	5,930
Rural Mid	1,169	2,651	1,088	414	5,322
Toronto Centered CMA Toronto	8,740	14,907	5,881	3,045	32,573
South West	9,715	18,832	8,584	2,254	39,385
Multi Locations	N.A.	1,086	788	542	2,416
Total Ontario	21,565	49,318	19,143	7,074	97,100

SOURCE: Ontario Ministry of Labour, Data compiled by Daniel Drache, York University.

well.

These records show 240 separate entries of complete closures, partial closures, and reduced operations in the Metropolitan Toronto area between Jan. 1981 and the end of November 1984.(Table-11) Our study was conducted during the summer of 1984 using information up to and including March of that year. In total between Jan.1981 and March 1984 there were 135 cases of layoffs known to us.[1] Eighty-three of these were in the manufacturing sector. Not surprisingly there was a concentration of layoffs and closures in those sectors that we have already identified as the most vulnerable in the Toronto area both before 1981 and after. These include food and beverage industries, leather industries, clothing, paper and allied industries, printing and publishing, metal fabrication, machinery, transportation equipment, electrical products, and chemical products.(Table-12)

Cases were selected in the following manner. All listed cases of a partial or full closure or a reduced operation in Metropolitan Toronto were identified. The original file had 135 separate entries. Our initial analysis found that 23 of these involved double counting of the same firm and the same plant. For example, if a closure was spread out over a two year period it might have been recorded twice or more if layoffs occured at several different stages. A closure might also have been recorded twice, once at the time of announcement, and again at

TABLE 11

REPORTED PERMANENT AND INDEFINITE LAYOFFS
IN METROPOLITAN TORONTO

ESTABLISHMENTS AND EMPLOYEES AFFECTED
BETWEEN JAN.1981 AND NOV.1984

	Reduced Operations	Partial Closures	Complete Closures	Total
1981				
Establishments	12	6	31	49
Employees	1,278	508	2,084	3,870
1982				
Establishments	47	10	34	91
Employees	4,759	648	3,285	8,692
1983				
Establishments	23	2	23	48
Employees	1,118	261	1,828	3,207
1984				
Establishments	14	6	33	52
Employees	1,396	974	2,444	4,814

SOURCE: Ontario Ministry of Labour

TABLE 12

PERMANENT AND INDEFINITE LAYOFFS IN METRO TORONTO, 1981 - MARCH 1984
MANUFACTURING INDUSTRIES
BY INDUSTRY AND TYPE OF LAYOFF

		NUMBER OF CASES BY TYPE		
	MAJOR INDUSTRIAL GROUP	Complete Closure	Partial Closure	Reduced Operations
01	Food and Beverage Industries	3 (3)	2 (2)	
03	Rubber and Plastics	1 (1)		
04	Leather	4 (4)		1 (1)
05	Textile	1 (1)		
06	Knitting Mills	1 (1)		
07	Clothing	6 (6)		
08	Wood Industries			
09	Furniture and Fixtures			3 (3)
10	Paper and Allied	3 (3)		1 (1)
11	Printing, Publishing and Allied	4 (3)	1 (1)	1
12	Primary Metal	1		
13	Metal Fabrication	5 (5)	1 (1)	3 (3)
14	Machinery	2 (2)	1 (1)	2 (2)
15	Transportation Equipment	4 (4)		6 (5)
16	Electrical Products	6 (6)		11 (6)
17	Non-Metallic Mineral Products			
19	Chemical and Chemical Products	3 (3)	1 (1)	
20	Miscellaneous Manufacturing	2 (2)		3 (3)
	TOTAL - ALL INDUSTRIES	46 (44)	6 (6)	31 (24)

NOTE: Numbers in brackets represent those cases which were selected for investigation. It should be noted that in some of the cases no final case study has been written.

the time of the actual closure.[2] There were 112 recorded incidents of layoffs on our record which went from January 1981 to March 1984. Twenty eight of these cases were not in the manufacturing sector and were, therefore, eliminated, leaving 84 discrete cases of reduced operations, partial closures and full closures in the Metropolitan Toronto manufacturing sector.

Due to limits in our resources it was not possible to investigate all cases identified. From the list of 83 cases 74 were selected. The ten that were eliminated were because of an abundance of similar cases in the same sector, or because other independent studies of those particular closures had been undertaken or because of special circumstances surrounding the job loss. SKF, the Swedish bearing manufacturer, for example, was not investigated by us because extensive research had already been undertaken on that case by Paul Grayson of York University. His research was included in our study. Several cases in the electrical products sector were dropped because of the high number already in that sector. In the end, 58 cases of full or partial closures and reduced operations were investigated and two others were added based on other investigations. The evidence gathered by this research provides a startling portrait of the process of deindustrialization in Metropolitan Toronto.

3.2 Method of Analysis

The method of investigation involved allocating a selection of cases to each of several field researchers. Efforts were made to allocate all cases within a sector to one researcher. In this way we hoped to gain consistency of interpretation across firms within the same or similar sectors and to help each person master an understanding of the dynamics of not only the firm but also the sector in which it operated. No questionaire was used but an information sheet was constructed as a guide for interviews with key informants. The nature of the sample frequently required different approaches with different respondants and the quantity and quality of information varies greatly across the cases. This we attribute almost entirely to problems of access to sources of information. Frequently this was because the firm had moved and no local contact could be found.

Researchers also received varying levels of co-operation from management and union informants. Some were quite frank and very forthcoming with information, while others were guarded and were unwilling to reveal much to us. Some cases involved large Canadian public corporations where information about the performance and the history of the corporation was a matter of public record in published annual reports or elsewhere. In other cases where the establishment was privately owned or a wholly owned subsidiary it was difficult to find much public

information.

Some case investigations involved using published press coverage of a firms activities, but here again information varied significantly across the sample. Some firms as a matter of course received press coverage, while others were relatively obscure in the public eye. Other problems were encountered in the number of contacts made for each case. In some cases several informants were identified, contacted and interviewed. Ideally a range of perspectives were sought from the management side as well as the union, if there was one. In others, only one informant was identified from either management or the union involved. Some cases were relatively straight forward and we believe we have a fairly good understanding of the decision-making process and the motivation for the layoff under consideration. Others remain unclear because of the lack of information available to us or because of the ambiguity of the information that we do have.

It was found that some of the reduced operation cases involved a short-term layoff and most if not all of the workers had been recalled. These cases were not pursued in any depth. In other cases no contact was found from the employer or the employee side. Although these might have been some of the more interesting cases for investigation it was impossible to get anything but the most rudimentary information. In still other cases acquiring information was deemed to be time consuming and a

drain on the limited resources of the project. These cases were given a low priority for investigation although this does not reflect their relative lack of interest or importance. The length of description of each case is a function of the amount of information collected.

The final investigation includes 60 cases. A report on all cases is provided in a companion report The Deindustrialization of Metropolitan Toronto: Case Studies. This report uses selected cases from that second volume in an analysis of the factors that have contributed to job loss in Metropolitan Toronto.

3.3 Cyclical and Structural Factors Contributing to Shutdowns And Layoffs

Our study provides a cross sectional view of the reasons for closures and layoffs in the Toronto's manufacturing sector. It is evident from the case studies that there are a wide variety of reasons why companies close plants or layoff workers. The circumstances that surround these decisions are complex and the analysis defies systematic organization. Nevertheless, patterns do emerge when a number of categories are used to classify the reasons for each recorded layoff or closure.(Table-13) This nominal classification should be treated with some caution. The assignment of cases to any particular category was a matter of

TABLE 13

REASON FOR JOB LOSS

(Firm Level)

	%
Business decline	50.9
Rationalization	36.8
Move Production to New Location	33.0
Corporate Priority Change	24.6
Bankruptcy	22.8
Technological Change	19.3
Management Problems	17.5
Escape Union/Sought Lower Wages	14.0
Antiquated or Inappropriate Production Facilities/Locational Disadvantage	10.5

These figures do not add up to 100% because several reasons could apply to one case.

subjective interpretation and in many cases several factors work together to precipitate a layoff.

Cyclical factors affecting the entire economy can be distinguished from stuctural factors that affect individual firms, industries, or regions. For example market declines in certain industries are the result of the decline in the demand for certain product lines or the result of increased international competition. Massive stuctural changes frequently take place as a result of a cyclical downturn since companies are forced to rationalize production. Rationalization and reorganization is a consistent theme in the investigation of plant closures and layoffs in Metropolitan Toronto over the past several years. Industries undergoing massive structural changes include machinery, electrical products, food and beverages, paper and allied, and metal fabrication.

The most striking fact is that, despite the recession of 1981 to 1983, only half of the cases that we investigated had a decline in business that was directly linked to the decision to lay off. It would appear from this investigation that job loss in Metro Toronto's manufacturing sector between 1981 and 1984 was due as much to changing corporate priorities, as it was to an exogenously induced decline in demand for their products. It is also striking that only 10.5 percent of cases had a definite locational or facility problem in Metropolitan Toronto as their reason for closure or layoff.

In theory cyclical and structural factors can be distinguished by whether they are a response to the business cycle affecting all businesses or a response to specific factors affecting any particular industry, product or firm. In practice it is very difficult to determine whether a cyclical or structural factor is the actual cause of any particular action on the part of employers to reduce their work forces. Economic recession is often the motivation for change that would have taken place in any case because of changes affecting the individual industry. It was just a matter of time.

Over one third of firms engaged in some process of rationalization. Sometimes this meant moving production to a new location. In others it meant leaving the product line altogether. These cases of relocation or product rationalization were also frequently accompanied by the adoption of technological change in the production process itself.

3.3.1 Declining Product Demand

Obviously any understanding of the reasons for job loss over the past several years has to begin with the depressed state of the Canadian economy. A large number of layoffs were the direct result of a decline in demand and the loss of sales. Faced with a drop in sales many companies reduced the size of their labour

force or closed.

Typical examples of cases of reduced operations are to be found in most industrial groups. For example Gabriel of Canada Ltd. produces replacement shock absorbers for the auto parts market. The market for shock absorbers declined dramatically in the midst of the 1981-83 recession. Gabriel also suffered a loss of sales because of an eleven week strike. This decline led to a temporary layoff of 233 employees in 1983.

Similarly Trench Electric, which manufactures capacitors and generators and exports 70 percent of its production to electrical utilities around the world, reduced their workforce by 40 in 1982 and a further 59 in 1983 because of a drop in sales.

Union Carbide of Canada Ltd. closed its Toronto plant on Davenport Road in 1981. The plant housed the production of carbon zinc batteries and carbon brushes. Throughout the 1970's the demand for carbon zinc batteries fell off as alkaline batteries began to dominate the market. Given this changing market, Union Carbide decided that its antiquated facility in Toronto should not receive any new investment. It moved the production of carbon zinc batteries, along with a number of other product lines, to a new facility in Walkerton, Ontario.

The layoffs at the Industry St. plant of Feranti Packard also reflect changing markets. The firm manufactures electrical industrial equipment, mostlty electrical transformers. In the

early 1980's the demand for electrical energy in Ontario plummeted for several reasons: the lack of new industrial growth, the economic recession, and energy conservation practices. The company laid off employees in 1982 and again in 1983 because of the drop off in sales.

3.3.2 Bankruptcies and Closures

In any cyclical downturn companies that are operating at the margin or are over-extended are easily pushed under. This is the purging element of the market economy, where inefficient smaller producers are eliminated from the competition. If a firm or an establishment is part of a multi-plant operation then it will probably just close and try to cover its losses. For example, the Sieberling Tire plant on Paton Rd. in Toronto was closed by Sieberling's owner, Goodyear Canada Ltd., following large declines in the market for passenger car tires. The seventy year old plant was allowed to run down, and a closure had been expected for years.

Frequently, however, if the company was independent the closure or layoff involved a bankruptcy. Bankruptcies were represented in just over one-fifth of all cases.The common bankruptcy pattern was for a company , often a small family owned firm, to have expanded rapidly in the late 1970's in expectation

of continued strong market demand. This often involved heavy borrowing and the establishment of a large debt load. Sometimes poor management decisions were made. When the recession hit, and with the steep rise in interest rates, they just couldn't stay afloat. Not surprisingly, the banks and these companies developed strained relationships in the process. The banks, in attempting to cover their potential losses, would call in the receivers. Many of the firms affected in this way continued to be viable. In many cases, however, the firm was worth more to the banks dead than alive. Only in a few cases was the firm purchased by other owners and rarely did the affected workers manage to keep their jobs.

A typical example of a bankruptcy as a result of the recession was Hardman Industries. Hardman manufactured injection moulding components for audio and plumbing uses. Privately owned, the company expanded rapidly in the seventies. Expensive new moulding machines were purchased in an effort to boost productivity and reduce labour costs. The strategy did not work and the company slid into a heavy loss situation. As the recession hit they were saddled with a heavy debt. The bank appointed receivers to sell the assets on March 28, 1982 and the more than 60 non-union employees were terminated the same day.

In some cases the action of the bank in calling the loan appeared at least as an over reaction, if not brutal. The continued viability of many businesses may have been in question

but were not always a certainty. For example, G&G Packaging was only 22 months old when it was put up for receivership and all its assets were sold, costing 105 workers their jobs. G&G was a privately owned custom packager of soaps, shampoos and candles. It had invested heavily in high speed automated packaging equipment with large bank loans. This high debt load coupled, with rising interest rates moved the bank to call in auditors to review the prospects for the firm. The auditors recommended that the company be put under tighter finacial control. The bank ignored the recommendation and placed it in receivership.

In the case of the successful and profitable men's clothing manufacturer, Superb Sportswear, the bank liquidated the Toronto based company in order to repay itself for the $5 million shortfall owed to it by a subsidiary company with 5 plants in Quebec. In addition to the 600 employees in Quebec, 80 sales and 175 production workers in Toronto lost their jobs.

Similarly, Gendron Industries, a small privately owned manufacturer of baby and children's products, had established a large debt and had difficulty collecting receivables. Their bank called the loan to be paid within 48 hours, thus forcing the company into bankruptcy. The order was petitioned by the owners because of their belief that the company was slowly emerging and able to pay its debt. The matter was still in the courts at the time of the study. All 160 workers lost their jobs.

3.3.3 Management Problems

Management problems , including poor management and fraud, were associated with a firms demise in just over 17 percent of cases. Management problems were not restricted to small independent operations. In several cases, management from a parent corporation was imposed on a newly acquired business. Knowing little about the business, this sometimes led to inappropriate decisions and the the business was thrown into difficult financial circumstances.

Poor management is another factor that emerges in a number of cases to push a firm under. For example, Toronto Coppersmithing International, a family owned firm that produced pressure vessels for the food industry, and which had been in business since 1929, went bankrupt in 1982. Sixty workers lost their jobs. The firm had operated at a loss for several years. Problems were traced to assumption of control of the company by new management in 1976. Apparently, substantial cost over-runs led to large losses, the result of poor costing and low contract prices.

Nor is poor management a factor only in the smaller independent firms. Large firms too experience the problem of poor or inexperienced management. This is particularly true when

conglomerates or very large firms buy another firm in a different product line. Two cases were investigated where the lack of management expertise or knowlege of the new industry was cited as a factor in its demise: the closue of the Reid Dominion Packaging Ltd. composite can division in Toronto in the fall of 1981, and the fall of York Russel's steel fabricating divisions in 1982. Both can be traced at least in part to ownership and management changes and lack of adequate knowledge about the new industry.

Poor management may be too kind a label for what happened to Konar Corporation. Konar produced circuit boards and was heavily reliant on Northern Telecom as its primary customer. Sales were affected by the recession and it suffered a major blow in 1981-82 when a large order was sent back as defective. Konar, which was privately owned, had a very significant growth in sales from 1977, when the owner purchased it, to 1982. There was heavy investment and expansion leading to an overextension of its credit. With a high debt load and rising interest rates Konar defaulted on several payments and the bank called in the receivers. The case does not end here, however. The evidence so far seems to indicate that Konar was the vicim of economic circumstances beyond its control. Perhaps bad luck could be added given the problem they had with the large defective order. But bankruptcy records reveal other important variables in the bankruptcy outcome. Konar paid for a racing car, $3,000 a month for an executive apartment, a $450,000 advance to associates to

puchase shares which was never collected, payments on repairs to the owner's house , and other irregular transactions between Konar and another firm of the owner.

Konar still lives, however. A group of private investors bought Konar from the receivers, and it is undergoing an expansion. It now employees 130 workers compared to the 200 before the bankruptcy. But the most unfortunate aspect of the Konar case is the fact that the workers who were laid off when the original Konar went bankrupt lost there severence pay, their vaction pay and other benefits due to their position as unsecured creditors.

3.4 Global Corporate Restructuring And Rationalization

3.4.1 Private Disinvestment and the Destruction of Profitable Plants

Some of the largest and the most prominent of the shutdowns that have occured over the past several years in Toronto are the result of massive corporate reorganization and rationalization, often on a global scale. This reorganization has taken place in response to the changing conditions for profitable production, intense international competition, and the decline of Canadian tariff walls.

This process of global restucturing is perhaps best illustrated by the closure of the Canadian General Electric's (C.G.E.) heavy electrical equipment plant in Scarborough in March 1984. This was not the first closure of a C.G.E. plant in Toronto. Nine plants have been sold or scrapped, and employment levels in others have plummeted in C.G.E. over the past decade. Canadian General Electric is owned by its Giant U.S. parent, General Electric (G.E.) of Fairfield Connecticut. General Electric is one of the largest and most profitable companies in the world. It operates 377 factories in 27 countries and employees 340,000 people worldwide. G.E.'s profits alone in 1983 were over $2 billion.

G.E. has decided that its future no longer resides in its traditional line, small electrical appliaces, which are considered a mature industry. Rather G.E. is looking toward the production of high technology products that have high growth prospects. These include missile guidance systems, and jet fighter engines, generators, robotics, office automation, electronic and data communication systems and medical diagnostic equipment. This involves selling or closing down traditional operations, rationalizaing or concentrating production of certain products in a smaller number of plants, and investing in technologically sophisticated productive technology in order to decrease labour costs. The sale or closure of plants is a central element in the strategy that allows G.E. to finance their

move into high growth ventures.

Canadian General Electric's strategy is identical to that of its parent. C.G.E. is concentrating its resources on those product lines for which it has been given a world product mandate from its parent. Since 1970, C.G.E. has dropped 44 product lines, picked up 41 and negotiated 22 world product mandates. This move into the international market is part of the specialization goal of C.G.E. and has involved rationalization, restructuring, and the reduction of the labour force through automation.

It has been an effective strategy. Sales have grown and employment levels have been reduced drastically. C.G.E.'s employment in Canada has been cut from 21,000 to 14,000 since 1980. The union representing C.G.E. workers, the United Electrical Workers, reports that they represented 3,000 workers in C.G.E. plants in Metropolitan Toronto in 1975. Now they represent only 700. And they estimate that by the time all of C.G.E.'s rationalization and relocation plans are complete, they will represent no more than 200 workers.

The Scarborough plant employed 429 highly skilled workers in the manufacture of large steam turbines for use in nuclear power stations, hydrogenerators, and assorted heavy equipment. The reasons given for the closure were a decline in the market for large steam turbines and hydrogenerators as well as the loss of

steam turbine contracts to foreign, especially Japanese, manufacturers. In fact the market for hydrogenerators, for which C.G.E. had the world product mandate, was substantial. But C.G.E. was engaged in its own rationalization program with hydrogenerator production to be centralized at its subsidiary, Dominion Engineering in Lachine, Quebec. Dominion, unlike the Scarborough plant, had received priority for investment within C.G.E. Despite the fact that Scarborough was and could produce hydrogenerator components, and there was a continued strong demand for hydrogenerators worldwide, the Scarborough plant no longer fit into C.G.E.'s plan to meet this demand. Evidence suggests that the ascendency of Dominion Engineering was in fact predicated on Scarborough's demise.

SKF is one of the world's leading manufactures of high quality bearings. It is a world wide operation with headquarters in Sweden. In 1981 SKF controlled 184 companies with operations on six continents and $2.7 billion in sales. Two important changes have occurred that have resulted in sweeping changes in the international bearing market: the decline in tariff walls as a result of the successive rounds of G.A.T.T. negotiations, and increased international competition, especially from Japanese manufacturers. Many manufacturers have gone under while those that have survived have embarked upon a strategy of rationalization, specialization, and automation. This has, as in the case of C.G.E., meant that factories that previously

manufactured a range of product lines to serve national markets, like Canada, were assigned one product specialty for world production. It also involved the the closure of a number of plants and the concentration of production in others. On December 18, 1981, the SKF plant in Scarborough was closed and 310 workers lost their jobs even though the plant, by several accounts, remained profitable.[3]

The closure of Upper Canada Manufacturing in Toronto in the spring of 1984 put 130 people out of work. U.C.M., a subsidiary of the large U.S. based corporation Combustion Engineering Ltd., was a leader in the machine parts industry in terms of its production technology. It used the most advanced numerically controlled precision equipment. The Toronto U.C.M. plant was closed as part of a U.S. head office directed company-wide consolidation to reduce excess capacity in response to the recession. The decision to close the Toronto plant, however, was made by the Canadian management of Combustion Engineering.

The Toronto U.C.M. plant had been a stand alone profit center responsible for its own sales and financial performance. In 1980 U.C.M. was integrated into the rest of Cumbustion Engineering's Canadian operation. It lost control of its own bank account and all receivables and payables went directly the parent. The Toronto plant was chosen because of its size and the fact that it was a leased facility which was easy to close. Production was shifted to the much larger facility in Cornwall

where the manufacture and assembly of several products were consolidated.

3.4.2 Foreign Ownership, Declining Tariffs and The Search for Low-Wage Labour

There were eight cases of layoffs or closures where there was an explicit effort to seek lower waged labour either in Canada or abroad. The closure of the C.P. Claire plant in Toronto in September 1982 resulted in the loss of 240 jobs, mostly by immigrant women. C.P.Claire is a division of General Instruments, a world giant in the electronics field. C.P.Claire itself is a world leader in the production of wet and dry read electronic relays and other electrical components. Until recently it had plants in nine different countries including, Sweden, West Germany, Belgium, Mexico, Taiwan and the U.S. The Toronto plant produced a variety of products and was essentially an assembly operation using components produced at other C.P.Claire plants. The Toronto plant was simply one part in a world-wide system of inter-plant trade, production, and assembly.

The C.P.Claire plant is just one example of how transnational corporations create the conditions for easy capital mobility. The plant was small and produced a particular hybrid

of products for the Canadian market alone. Investment in research and development was minimal. There was no vertical integration of production within the plant, each line was self contained and therefore movable. Even the facility was leased in accordance with company policy. Everything was set for quick exit from Toronto if and when the conditions were appropriate to do so. The right conditions arose with the devaluation of the Mexican peso and the prospects, from the company's point of view, were too good to do anything but take advantage of. Production was shifted to Guadalajara, Mexico.

On May 28, 1982 Smith Corona Ltd. (SCM) closed its electromechanical and manual typewriter assembly plant in Scarborough. The plant was origianally established in Toronto in the 1960's to serve the Canadian market behind high tariff walls and to take advantage of preferential tariffs applied to Canadian made goods in the Commonwealth. In fact the Toronto plant was an assembly plant that used components made in the U.S. parent's plant in Cortland, New York. Given changes in the typewriter market, with the growth of electronic typewriters and word processors, SCM began to rationalize production among all of its plants worldwide. As the Commonwealth crumbled and Canadian tariffs declined, the original reason for the existence of the Canadian plant was no longer valid. Production of the eletromechanical typewriter was moved to the U.S. based plant and to a plant in Singapore.

In June 1981 the Schick Safety Razor plant on Bartley Dr. in Toronto was closed by its parent, the giant U.S. conglomerate Warner Lambert. The plant produced a full range of razor blades and exported over eighty percent of its production to countries like Australia and Japan and to South America. It had been established over thiry years ago to get a foothold in Commonwealth markets through a system of British preferential tariffs. Production for these markets and for Canada was moved to Schick's main plant in Connecticut, Sao Paulo, Amsterdam, Caracas, and Hong Kong.

The closure of C.P.Claire, Smith Corona and Schick like the closure of several others plants in the Toronto area over the past several years illustrates how the destiny of a plant, no matter what its individual performance, is tied to the overall strategy of the parent. The quest of more profit and market dominance in high growth lines leads to the development of a strategy where competitive advantage is gained by seeking out mininum cost labour or exchange rate advantages. Productive resources are kept in a manner that promotes easy geographic mobility. The parent's strict control of individual plants and the segmentation of markets served by plants results in a situation where plants can be moved in or out of the centre of the corporate development strategy. In this way plants are primed for closure and workers are regularly thrown out of work.

3.4.3 Flight to the Sunbelt: The Runaway Shop Syndrome

On August 9, 1982, F.M.C. Ltd. was in the midst of contract negotiations with Local 3394 of the United Steelworkers of America, when it informed its employees that it would close by year end. The Scarborough F.M.C. plant manufactured mining equipment for the Canadian mining industry. It was a subsidiary of the giant American conglomerate F.M.C. of Chicago, a major armaments manufacturer. The reason given for the closure was that the plant had not been viable for years, but this was seemingly contradicted by the financial statements for F.M.C. Canada for the previous several years. The market also appeared to be strong with new mining projects in B.C. giving F.M.C. a large contract just before the shut down. In fact the F.M.C. closure represented the classic flight of capital to the U.S. sunbelt. It moved the most advanced machinery from the Toronto plant and re-established production in a non-unionized plant in Mississippi. F.M.C. now serves the Canadian market from the southern U.S.

3.4.4 Corporate Milking

The March 1983 bankruptcy of Rusco Canada Ltd in Scarborougfh provides a sobering example of how a basically sound

manufacturing operation can be destroyed by its parent for its own purposes. Rusco Canada was a healthy steel window and door manufacturer serving the Canadian market. It was a wholly owned subsidiary of Rusco Industries of the U.S. By all accounts Rusco Canada was a profitable operation.

The same was not true for Rusco Industries in the U.S. In the late 1970's it was convicted of a legal violation of the Securities and Exchange Comission laws and about the same time started experiencing severe cash flow problems. Rusco Industries turned to Rusco Canada for help. First it stripped all of Rusco Canada's term deposits, between $200,000 and $300,000. Next it forced the Canadian operation to take a $1 million bank loan and pay a special dividend to the parent. Rusco Canada was left with its first and only debt at a time of rising interest rates and at the beginning of the recession.

The story gets somewhat more complicated because of the purchase of the U.S. Rusco Industries by Quinstar, a much smaller Ontario based oil and gas exploration firm. Rusco ended up owing its owner Quinstar $3 million for which it handed over Rusco Canada in partial payment. As if the $1 million debt was not enough, Quinstar saddled Rusco Canada with a further $3 million dollar debt which was apparently the transfer of the Rusco Industries debt to Rusco Canada. Six months later Rusco Canada lost financial control of its operations entirely. Soon after it went under. The company has since been purchased by three

former employees who reopened it under the name of K.M.C. Inc. and now appears to be achieving financial stability.

3.5 National and Regional Reorganization and Rationalization

While many of the larger firms that have closed their doors in Metropolitan Toronto have moved abroad, the reorganization process has national and regional dimensions as well. An even larger number of multi-plant operations have closed or downsized and moved all or part of their production to other parts of Canada, other parts of Ontario, and even other parts of Metropolitan Toronto.

One of the better known cases of closure in the Toronto area over the past several years is the shut down of the Canada Packers hog and beef slaghtering operation in the west end of the City of Toronto. Nine hundred and fifty workers lost their jobs as Canada Packers rationalized and reorganized their production within and outside of Metropolitan Toronto. The move to reorganize was in response to changes in the food industry generally. Rationalization included the installation of better production systems and improved facilities, new management, and workplace reorganization. The closure of the west Toronto plant was not inevitable. Canada Packers was prepared to invest in the renovation of the plant. Some controversy surrounded the

continued location of the meat packing industry in the area, and while it was being argued on the political level, Canada Packers took independent action to close and move production to their other plants.

Substantial regional reorganization is occurring in the pulp and paper industry in Canada in response to changing market conditions and increased corporate concentration. This has affected several plants in the Toronto area as companies like Kimberly Clark, Sommerville Belkin and Domtar Ltd work toward the consolidation of their operations, the elimination of excess capacity, vertical integration of the forestry, pulp, and paper production, and specialization in individual factories to serve the national market.

Kimberly Clark has been laying off workers at its Rexdale plant as the production of tissue paper is consolidated in its modernized Huntsville, Ont., plant.

On September 1, 1982 Domtar closed its corrugated container plant in Toronto and eliminated 126 jobs. The closure was just one of nine corrugated plants that have been shutdown in Ontario and Quebec since 1980, as the industry has been comprehensively restructured. This rationalization consisted of the closure of older more obsolete plants. It was spurred on by the development of new production technology and corporate concentration. The industry had built up excees capacity which was now, because of a

surge of recent buy-outs, concentrated in the hands of two major producers. Under these circumstances it was difficult to raise prices. In order to turn it from a buyers market to a seller's market plants would have to be closed. As a result producers have, for the first time in a long while, been able to raise prices and make them stick.

The story of the closure of the Sommerville-Belkin folding carton plant in 1982 starts with its divestiture by The Continental Group, the largest U.S. based producer of packaging in the world. The paper box and carton industry is a mature industry, and it is generally felt that there is not much room for growth. As a result, the industry as a whole has been moving to concentrate, and large companies have been attempting to merge and consolidate in order to increase their market share and keep prices up. In a dramatic shift of corporate priorities, the Continental Group decided to get out of the paper products industry in Canada. By selling their mature industries they could generate cash to help them move into what they viewed as the high profit, high growth energy sector.

The five paper container plants of Continental were sold as a package to Sommerville-Belkin, two of which were in Toronto where Sommerville already had one operation. Sommerville closed the Cartwright Ave plant and shifted its machinery to its other plants in London, Ont., and Newfoundland. The reasons for the choice of the Cartwright Ave plant are somewhat ironic given the

fact that it was the most modern and best laid out of the Toronto plants. The other possible closure was the Ray St. plant, but it housed a large piece of machinery which could not be moved and which Sommervile considered essential. Moreover, Sommerville decided to put less emphasis on the specialized production which existed at the Cartwright plant and more on the standardized production that was more suited at the Ray St. plant. Finally the Cartwright St. plant was easily closed because it was a leased facility.

Camco, the Canadian Appliance Manufacturing Company (Camco), is one of the major producers of home appliances in Canada.It is also part of the General Electric empire formed as a merger in 1977 of Westinghouse's former appliance division, General Steel Wares, and C.G.E.'s much larger appliance division. This was an anomaly for C.G.E. which was interested in exiting from the appliance industry. It reversed its course, however, when Westinghouse left the domestic appliance industry. It was a strategy that proved successful since, despite depressed sales of appliances as a result of the recession and high interest rates, Camco continued to increase sales in 1982 and 1983. Stuggles over the control of Camco between C.G.E. and G.S.W. management resulted in ownership changes that gave C.G.E. ultimate control. This resulted in the decision to close the plant in Weston based on C.G.E.'s desire to concentrate production in a smaller number of larger plants. Production and machinery at the Weston plant,

as well as another plant in London, Ont., were moved to Hamilton where the plant is three times the size of the one in Weston.

3.5.1 When the Going Gets Rough-Divest

Allen Tank of Scarborough experienced its best year in 1982. Profit levels were high and sales were at a historical record level. Six months later, much to their surprise, the 80 workers were notified by Allen's mini-conglomerate parent, Toromont Industries of Toronto, that the plant would permanently close.

On the surface the decision to close Allen may be linked to the dramatic decline in sales in 1983. Allen manufactured and sold pressure towers and drums for the petro chemical, gas, and oil industries. When the "mega projects" in the West did not materialize Allen lost a number of key contracts, and market projections showed that it would be at least two years before demand conditions would be restored. But Allen's demise also reflects the choice by a conglomerate parent to divest itself of a plant that might still have been viable, to purchase an industrial refrigeration plant in California. Allen's chief competitor in Toronto, Toronto Iron Works, was also severly hurt by the recession but it remains open. The difference appears to be in the importance of each of the operations to the larger corporation. While Allen was not a cental concern of Toromont's,

Toronto Iron Works Ltd. is one of a half dozen iron and steel related firms owned and operated by a Toronto family.

In Jan. 1892 York-Russel Inc. announced the closure of their steel fabrication operation in Metropolitan Toronto. Operations would be consolidated in their Bridge and Tank Division in Hamilton. The story of the closure of York-Russel's plant in Toronto shows how several factors related to ownership and control combine within the context of declining markets to aid in the reorganization and demise of what was an important manufacturing firm in Metropolitan Toronto.

York-Russel's predesessor, York Steel was one of the finest steel fabricators in Ontario in the 1970's. In 1980 the owner, Joe Tannenbaum, purchased one of its suppliers, Hugh Russell in an arrangement that was 100 percent finacned on credit. Apparently, Tannenbaum was moved to do so after a dream in which his grandfather appeared to him and told him he should do it. In an effort to reduce the debt, some of the non-steel related businesses of Russel were earmarked for sale. A reverse takeover was then engineered so that Russel's revenues could be sheltered from taxes and Russel's cash flow could relieve the excessive debt of the steel fabricating business. Russel took over all the assets of York-Steel.This resulted in a merger under the name of York-Russel Inc. under the chairmanship of Joe Tannenbaum. In an effort to maintain cash flow, several divisions of the old Hugh Russel and the old York Steel were closed including the flagship

York Steel in Toronto.

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1. Our source of data was a printout given to us by the Plant Closure and Review Branch. This was a record of all closures and layoffs to that time. Subsequent information on layoffs or closures caused the figures for that period to be revised. The record is constantly being updated sometimes retroactively

2. These problems of double counting are known by the Ministry of Labour and efforts are made to adjust the file when they are discovered.

3. J.Paul Grayson, "The Closure of a Factory and Its Impact on Health", International Journal of Health Services, 1985, Vol. 15. p.p. 69-93.

Chapter 4

DEINDUSTRIALIZATION AND ITS CAUSES

4.1 Why is Metro Losing Jobs?

Why is Metro losing its manufacturing base? There is no one simple answer to this question. Certainly the impact of the international economic recession of the past several years has had a large impact on business. Layoffs have taken place as orders for products declined, and plants have closed as corporations have sought to eliminate excess productive capacity. Periodic cyclical recessions play an essential purging role in an economy governed by the principle of "survival of the fittest". This is seen as an important and dynamic nature of the capitalist economy, what Joseph Schumpeter called "the process of creative destruction".[1]

The recession which began in 1981 was a worldwide phenomenon; but its effects on Canada were particularly severe. Canada's Gross National Product (GNP), the measure of all goods and services produced, fell 4.8 percent in 1982, the first annual decline since 1954. All other major country members of the

Organization for Economic Cooperation and Development (O.E.C.D.) performed considerably better with much smaller declines, or in most cases small increases in their GNP. [2]

The lack of recovery in jobs and consumer demand can be linked to a conservative approach to macro-economic policy.[3] Since 1975 the Canadian government has followed particularly restrictive monetary and fiscal policies, and this approach helped throw Canada into recession and keep it there.[4]

As we have seen, the overall decline in business has been a major factor in the loss of jobs in Metropolitan Toronto. But we have also seen that there have been major structural changes in the Metro economy, a process of change that began long before 1981, and these too have contributed to the loss of manufactuing jobs. Most approaches to the analysis of structural changes at the urban level focus on the uniquely urban problems faced by industry. Conventional industrial location economics focusses on the the differential costs of transportation, land, raw materials, energy, wages,and unit labour costs, as the chief determinants in the investors choice to invest in one place or another. Problems frequently cited to explain Metropolitan deindustrialization are such things as inappropriate facilities for modern production techniques, cramped quarters not allowing for expansion, traffic congestion and poor road access, high land costs, high municipal taxes, and excessive planning regulations. These structural factors are cited as the major reasons for

Metropolitan deindustrialization.

Strictly urban factors or diseconomies, do influence the location and departure of industry in Metro. The analysis of cases suggests, however, that these factors were not as significant in explaining the nature of manufacturing job loss as changes in the structure of the global economy, changes that are having a profound impact on Canada, Ontario, and Metropolitan Toronto.

4.2 The New International Division of Labour

Structural factors affect the movement of industry from region to region based on access to markets, raw materials, and labour. Industrial change is also the result of changes in technology, product cycles, and changes in ways of organizing production. But the most significant structural shifts now taking place are related to the global reorganization of corporations and production. This reflects the evolution of what has been called a "new international division of labour" and represents a profound restructuring of the world economy.[5]

Increased international competition is a reality that is familiar to most Canadians. Whether it is in automobiles,

eletronic equipment, clothing, machinery or any number of other product areas, Canada has been faced with tough competition from foreign producers in the U.S.A., Europe, Japan, and increasingly the Third World. In historical terms the rise of international competition to industries in North America started in the 1960's. Tougher international competition coupled with increasing tightness in the labour market and declining productivity put pressure on profits. The response of corporations in all advanced capitalist nations to the decline in profitability was to relocate, restructure, or automate.

We began to see the rise of a new world market oriented industrialization starting in the 1960's. This was reflected in a rise in industrial capacity in Third World countries, Japan and Asia. Several factors have contributed to the ability of international corporations to create the new international division of labour.

1. The availability of a cheap and virtually inexaustible supply of labour in Asia, Africa and Latin America;

2. The development of production technologies that have allowed for the fragmentation of the production process to the point where in many cases a labour force with very low skill levels and small amounts of training is now sufficient for industries that manufacture complex and

sophisticated products;

3. The revolution in transportation and communication technology which allow international corporations to move products, managers and information around the world quickly and cheaply.

The goal of business is to mazimize profits. Given the reality of the new truly global economy, there is now an unprecedented technical, social, and political ability to move capital. Corporations can shift productive resources from the relatively expensive economies of the West to the cheap labour areas of Asia or Latin America or to move to any other location where the combination of factors of production are favourable. This speeds up a market system process where mature industries, once they have established themselves and their production proceeses, have less need to be near sources of innovation and skilled labour. Routinized production can be performed just as easily, and for a much lower cost, in places where labour is cheap and plentiful. Industries like textile, clothing, and electronics demonstrate this principle. Many of these products that Canadians now purchase are manufactured abroad in low wage, Third World countries. Profitable production becomes possible virtually anywhere in the world even though the primary markets remain North America and Europe. Although capital has always been fluid, the problem is that it has now become "hypermobile".[6]

4.3 Foreign Ownership

Metro finds itself particularly vulnerable in the face of this new economic reality because of high levels of foreign ownership in its manufacturing sector. Over half of Ontario's manufacturing sector is foreign controlled. Branch plants of foreign owned multi-national corporations are frequently more vulnerable to closure for a number of reasons. Branch plants are frequently less efficient than larger scale plants in the nation of their parent. Historically branch plants have been established in Canada by foreign corporations (mostly American) to produce for the Canadian market behind the tariff wall. Frequently these branch plants are simply assembly operations that can be opened and closed by the parent with considerable ease. Over the past decade tariffs on incoming goods to Canada have been substantially reduced so that by the late 1980's they will be only one sixth of their level in the 1950's. Under these circumstances there is less and less reason for a foreign owned branch plant to remain in Canada. Corporations will move their branch plant operations to low wage areas of the world and serve the Canadian market from abroad.

4.4 The Attack on Labour and The Social Wage

The social and economic effects of this transformation are profound. It means that workers in the industrialized countries are increaseingly part of a world wide labour market. Thus workers in Metropolitan Toronto increasingly have to compete with workers in lower wage areas of the world. This puts pressure on wages in Canada, but it also forces governments in Canada to bow to the desires of business to lower Canadian labour costs and to follow the logic of the market in creating the conditions for profitability here. This includes lowering standards of living for workers not only in wages but also in a range of other benefits which have been called "the social wage". The social wage refers to those benefits and entitlements available to workers and citizens apart from direct money wages, such as unemployment insurance, health care, or environmental protection. This erosion of our standards of living is frequently considered to contribute to the creation of a better business climate.

One frequently hears how Canada is not a favourable place for investors to do business and make money. Canada's economic problems it is said, from low productivity to high unemployment, are related to Canada's "high cost structure."[7] There is a

perception that Canada's wages are too high, that there is too much taxation, that our social programs are too generous, and that their is too much government regulation. The central theme of the business climate argument is related to a pro-business orientation by government with respect to taxation and regulation. Comments by respondants to a Canadian Federation of Independent Business survey of Ontario maufacturers on the subject of industrial migration were consistent in their denunciation of the Canadian business environment on several grounds. In a typical response one corporate executive said:

> "The work effort has left the Canadian worker. I believe our educational system, the media, and our too easy give-away social programs are to blame. At one time it was a disgrace to receive help from various welfare agencies, but now it is a God given right to shaft the government, who I might add are to blame for making things so easy for such people to receive these benefits. If we had more people to work for a true living wage we in Canada would become productive and competitive."[8]

Labour costs and social entitlements are increasingly viewed by business and government as the cause of our economic failures.

The threat of plant closure is frequently used in contract bargaining by management to restrict wage or benefit increases or to extract concessions from unions. The very existence of unions is increasingly being treated as "bad for the business climate". There is evidence that plant closure activity in Ontario is related to unionization. Analysis of closures in Ontario by Ian MacLachlan found that unionization was considerably higher among closed plants than among Ontario employers overall.[9](Table-14)

Table 14

UNIONIZATION AND PLANT CLOSURE IN ONTARIO

Industry Group	Operating Plants	Closed Plants
Food & Beverage	63.0	85.7
Rubber & Plastic	42.8	50.0
Leather Products	50.0	83.3
Textiles	56.9	83.3
Clothing	41.8	44.4
Wood Industries	54.1	100.0
Furniture	16.9	50.0
Paper & Allied	75.0	100.0
Printing & Publishing	28.5	50.0
Primary Metals	68.9	100.0
Metal Fabrication	53.8	92.3
Machinery	35.1	63.6
Transportation Equipment	59.5	76.9
Electrical Equipment	46.2	84.6
Petroleum & Coal Products	66.7	100.0
Chemical Products	27.7	60.0
Miscellaneous Products	27.2	50.0

Note: The proportion of unionized operating plants was calculated by dividing the number of collective agreements governing 50 employees or more in 1985 by the number of establishments with 50 employees or more for each SIC in Ontario in 1980. The correspondence is imperfect; however it is the best available.

Source: Ian MacLachlan, The Determinants of Plant Closures in Ontario, University of Toronto (Mimeo) Paper presented to the Association of American Geographers Annual Meeting, Detroit, April 1985, based on data from the Ontario Ministry of Labour, Collective Agreements Library Statistics Canada 31-203, Table 32, 1982.

In fact wages and social spending in Canada are not and have not been Canada's economic problem. Over the period 1973 to 1982 Canada had lower increases in unit labour costs (measured in U.S. currency) than in the U.S., France, Germany, the U.K., Norway, and Sweden.(Table-15) In the critical years 1981 and 1982 although Canada's unit labour costs increased relative to most nations, the increases were still below those in the United States, our most important trading partner. Indeed a study for Citibank Corporation of New York, comparing wages, increases in wages rates and unit labour costs among most Western industrialized nations claimed that Canadian labour was "a model of restraint" and that Canda's cost structure was favourable to business expansion.[10] A recent study for the International Monetary Fund by Jacques Artus, found that the wage structure was not a problem in Canada. Artus' study found that Canadian wage rates were at their "employment equilibrium level". Any wage decrease therefore would not have any effect on the level of investment or employment.[11]

Nor is there evidence that Canada has a high level of government spending or that government spending on social programs affects our productivity or our ability to compete. In fact Canada contributes a relatively low proportion of its GNP to social spending.(Table-16) On the other hand there is evidence that among advanced industrialized nations of the world those that spend a higher proportion of their Gross Domestic Product on

TABLE 15

Annual Per Cent Changes in
Unit Labour Costs
In U.S. Dollars

	1973 - 1982	1981	1982
Canada	-.7	6.6	8.5
United States	.2	12.7	12.4
France	.1	-4.1	-4.2
Germany	-.1	-9.2	2.8
Italy	-.9	-2.9	2.7
Japan	-2.7	9.0	-10.7
United Kingdom	6.0	2.8	-5.5
Belgium	-2.2	-8.8	-14.3
Denmark	-2.3	-11.5	-1.2
Netherlands	-1.6	-9.8	2.5
Norway	1.5	1.6	5.6
Sweden	-.7	-.4	-11.4

Source: Bureau of National Affairs Inc., "Trends in Labour Costs," Union Labour Report Weekly Newsletter, No. 1920, July 19, 1984, p.4 - 6.

TABLE 16

TOTAL SPENDING ON
SOCIAL SERVICES

Western governments' spending on social security (including health) as a percentage of gross domestic product in 1981 or in latest available year

Belgium	38.0
Netherlands	36.1
Sweden	33.5
Germany	31.5
Italy	29.1
Denmark	29.0
Austria	27.9
Norway	27.1
Ireland	27.1
Britain	24.9
France	23.8
CANADA	21.7
United States	21.0
New Zealand	19.6
Australia	18.6
Japan	17.5
Switzerland	14.9
Greece	12.8
Average	25.3%

Source: Organization for Economic Co-operation and Development.

social welfare have higher output growth rates in manufacturing.(Figure 3)

Canada does have a productivity problem and this has jeopardized our ability to compete in international markets. But the cause of the productivity problem is not high labour costs in Canada. The productivity problem is primarily a problem of low and poor quality investments in manufacturing, which is in turn the result of the underutilization of existing industrial capacity.[12] This is the result as least partly of the particularly restrictive macro-economic policy that has been pursued in Canada since the mid 1970's

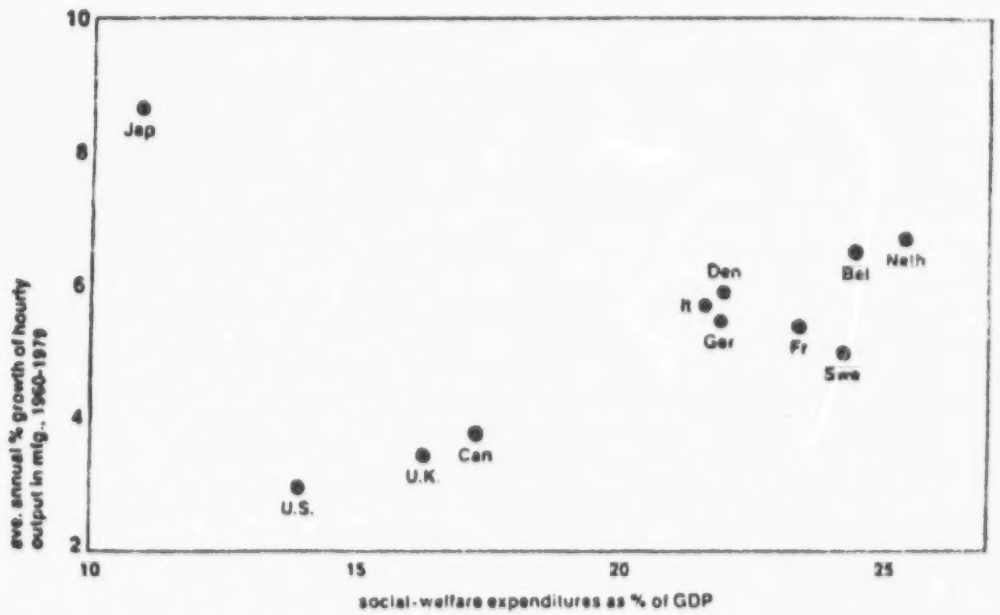
4.5 Corporate Concentration, Paper Entreprenurialism and the Destruction of Profitable Plants

In addition to the increased pressure put on workers and government to lower standards of living, there are a large number of plant closures and layoffs as corporations relocate and rationalize at home and abroad. Business in Canada is forced to secure its survival through the use of more efficient technology, the use of fewer workers, the centralization or shedding of facilities, and the pursuit of other investments.

Figure 3

Government Spending and Productivity Growth

International comparison of hourly output growth in manufacturing and social- welfare spending as % of gross domestic product, 1960 - 79



Source: Hourly output data from U.S. Bureau of Labour Statistics, unpublished data, 1982; social-welfare expenditures include health, education, and income support payments -- from OECD, National Accounts, 1982, Vol. 2, and unpublished data. Figures on social spending are averages of levels in 1960 and 1979. From: Bowles, Gordon Weisskopf, Beyond the Wasteland, Anchor Press/Doubleday, New York, 1983, p.41.

The conventional view of economic decision-making is based on the belief that the market is perfectly competitive and that no investor would close a viable operation as long as there was a profit to be made from it's continued operation. Such a perspective was articulated by an official of the Ontario Ministry of Labour, Plant Closure Review Branch, in a comment about the recent move of an Ontario auto parts plant to Mexico. According to the official, "business reasons" are clearly the predominant reason for plant shut downs. He said "I don't know of any business man who wouldn't keep going if there was money to be made".[13] This conventional perspective on business decision making ignores the realities of contemporary corporate organization and the limitations of the competitive, free market idea.

Recent studies of the structure and the behaviour of multi-national and conglomerate corporations have provided us with an insight into the dynamics of contemporary deindustrialization.[14] They have shown how, in the contemporary world of multi-national and conglomerate corporations, perfectly profitable operations are closed and even scrapped as corporations seek to gain even the smallest cost advantage by moving or reorganizing production. Multi-plant firms will close a viable operation if it is easy to do so and if the plant does not fit into the overall corporate strategy. These studies of corporate behaviour reinforce the findings of our investigation.

A common practice is to use a plant as a "cash cow" by milking the profits and income of a facility even though it is viable. By not reinvesting to replace worn out machinery or to renovate, rebuild, or repair facilities, the plant is run down and made uneconomic. This sometimes occurs as a method of escaping from a union contract. Given the increased profitability conditions within the global economy, corporations will sometimes impose "hurdle profit rates" far in excess of traditional profit expectations, and if any individual plant in a multi-plant operation does not meet that rate, it will be divested and the proceeds used elsewhere.

Within this environment there is also a tendency for corporations to become increasingly engaged in shifting investment into and out of manufacuring activities. Robert Reich has referred to this as "paper entreprenurialism". This involves the use of finacial, legal, and accounting manoeuvres in the manipulation of tax laws, in speculation and real estate, in stock and bond purchases and sales, mergers and takeovers, and the creation of other paper claims. High levels of corporate concentration in Canada reinforce the tendency of corporations to pursue paper entreprenurial strategies to maximize profits. As Don Westeel argues:

> The current concentration of corporate power illustrates the frequent criticism of Canadian business. Much of the wealth represented has been accumulated by acquisition and the manipulation of companies, rather than by innovation, and the production and sale of goods and services.

If large corporations, especially conglomerates, have little loyalty to a product, they have even less loyalty to the workers and communities who are affected by their activities. Most importantly, as Reich argues:

> "Paper entreprenurialism has an even more insidious side. The attitudes and frames of reference that have encouraged the rearrangement of industrial assets in the hopes of short-term gains have also encouraged the rearrangement of people, resulting in an increased velocity of hirings, firings, and layoffs..."[15]

Corporate concentration increases the ability of corporations to take advantage of new technical and economic possibilities. Despite the nominal "competitive free market" nature of capitalist economies, the fact is that much of our economy is concentrated in the hands of the relatively few. In 1979 the 200 largest companies in Canada controlled 69 percent of total assets, received 72 percent of total sales, and made 81 percent of total profits.[16] Corporate concentration increases capital mobility because a small number of people make decisions about the fate of billions of dollars in investment and thousands of workers. The fact is, according to a study by Canadian Banker's Association, "nine families own and control a suprisingly large chunk of Canadian business".[17] Each plant in a multi-plant operation is seen as a small part of the operation and decisions about location are made in light of overall corporate priorities. Under these circumstances each plant has little meaning other than how much it contributes to the overall profitability of the firm. Corporate concentration is growing.

In 1965, the 25 largest non-financial enterprises controlled 23.8 percent of private sector assets and 10.4 percent of sales. By 1978 they contolled 31.1 percent of assets and 21.6 percent of sales.[18]

Concentration increases the power of capital, and internationalization makes it less subject to the constraints imposed upon it by governments of individual nations. This increased power of transnational corporations helps to intensify cyclical market downswings because of the synchronization of the international business cycle. It also increases the power that corporations have to define the suitability of the business climate in any individual nation.

4.6 The Issue of Deindustrialization

This analysis suggests that the process of deindustrialization is not only a logical respose to economic necessity. It is also the product of shifting corporate priorities and interests. In this sense the closure of plants and the loss of jobs are the result of decisions that are based on the interests of corporations or investors, and these interests are often in conflict with the interests of the workers who lose their jobs and the community in which the jobs are

lost. This understanding of the dynamic tension between private interests on the one hand, and the interests of workers and the community on the other, that suggests that plant closures, layoffs and unemployment are political issues that are the proper concern of municipal governments. Firm level analysis is an important method to judge if the balance between private and community interests is being justly resolved in the inevitable process of economic transformation. The critical question is always who benefits by the actions of commerce. Our analysis suggests that corporations are the major beneficiaries and that what is good for business is not always good for people.

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1. Joseph Schumpeter, Capitalism, Socialism and Democracy, New York, Harper and Row, 1942, p.83.

2. O.E.C.D., Economic Outlook 33, July 1983, p.44.

3. see Social Planning Council of Metropolitan Toronto Democracy Equality and Canada's Economic Future, 1983.

4. Clarence L.Barber and John C.P. McCallum, Unemployment and Inflation: The Canadian Experience, James Lorimer & Co., Toronto, 1980.

5. Folker Frobel, Jurgen Heinrichs, Otto Kreye, The New International Division of Labour, Cambridge University Press, 1980.

6. See: Interview with Barry Bluestone and Bennet Harrison, Working Papers, January/February 1983, p.43-44. and, The Deindustrialization of America, Basic Books, New York, 1982.

7. Donald Daly, Productivity , Toronto, 1985. Cited in The Globe and Mail, April 2, 1985. p.B2

8. Canadian Federation of Independent Business Manufacturing Migration Study, 1984.

9. Ian MacLachlan, The Determinants of Plant Closures in Ontario,

University of Toronto, Paper presented to the Association of American Geographers, Detroit, April 24, 1985.

10. The Globe and Mail, Report on Business, Nov 22, 1982., p.B1

11. reported in Thomas Walkom. "Study Says Canadian Wages Not Culprit Behind Canadian Job Losses, The Globe and Mail, Nov. 23,1984. p.1.

12. see Uri Zohar, Canadian Manufacturing: A Study in Productivity and Technological Change, Vol.1, Canadian Institute for Economic Policy, James Lorimer, 1982, p.78. and John Helliwell, Stagflation and Productivity Decline in Canada, 1974-82, The 1983 W.A. Mackintosh Lecture, Queens University, Kingston, March 10, 1983.

13. Toronto Star, Saturday, April 21,1984. p. D1.

14. see for example Barry Bluestone and Benett Harrison, The Deindustrialization of America, Basic Books, New York, 1982. and Robert Reich, The Next American Frontier, New York Times Books, 1983.

15. Robert Reich, The Next American Frontier, op.cit., p.160.

16. John Calvert, Canada Limited, Canadian Centre for Policy Alternatives, Ottawa, 1984, p.38

17. Don Westeel, "Big Chunk of Business in Hands of Few", The Globe and Mail, Aug. 25, 1984, p.B1.

18. John Calvert, Canada Limited, op.cit.

Chapter 5

DEINDUSTRIALIZATION: THE NEED FOR A NEW FRAMEWORK FOR INDUSTRIAL POLICY

5.1 Conclusions and Policy Implications

The process of deindustrialization is both the cause and the symptom of many of our social and economic problems. Several aspects of deindustrialization stand out. The first is that although much of the job loss in Metro's manufacturing sector over the period 1981-1984 was related to the economic recession, at least as much was related to structural changes in the organization of industry. Within this context corporate activity in Metro conforms to the logic of the evolving new international division of labour. This is leading to the reorganization of industry, both spatially and technically, on a global, national and regional scale. It has led to a decline in investment in new plant and equipment and the increasing use of investment for rationalization of existing capacity, or for alternative non-productive investments such as mergers or speculative ventures. Profitable plants are closed as multi-national

operations seek to maximize their rate of return for the corporation as a whole. Tariff reductions and the encouragement of free trade have helped speed up this process in Canada as foreign owned branch plants are closed and others are set up elsewhere to export to the Canadian market. The result is a considerable amount of "churning" in the labour market as manufacturing firms scramble to restructure and rationalize to conform to the logic of increasing international competition.

The second is the phenomenal rise in unemployment that is directly related to industrial relocation, plant closures, and the loss of manufacturing jobs. Unemployment is a serious social problem that has repercussions not only for the individuals who lose their jobs but also for their families, their communities and the rest of society. The significance of deindustrialization has to be judged in light of the impact of these adjustments on workers and communities. Evidence on the social impact of economic adjustment is not encouraging. Employment is shrinking in some sectors and workers who are displaced are not being rapidly employed in equivalent jobs in other sectors. If they do find employment they experience downward mobility in their wages. Many people lose their jobs and don't find alternative employment. In either case the loss of a job creates social, psychological, and health related problems. Plant closures, layoffs and capital mobility may well be essential for economic efficiency, but these economic efficiency requirements exclude

the social costs of adjustment. There are serious conflicts between the principles of market efficiency on one hand and social efficiency on the other.

The third is the social crisis we are facing as a result of deindustrialization. The loss of manufacturing jobs means that on the average high paid full-time employment is declining. Replacement jobs have been primarily in the services sector where wages are considerably lower and part-time employment abounds. Deindustrialization represents a transformation of Canadian society to a low-wage economy.

The growth of the international economy puts considerable pressure on Canadian wage levels and labour is forced to curb its demands for wage increases and to fight rearguard actions to defend what it has already won. Rising unemployment means falling tax revenues and growing deficits. Finding it ever more difficult to tax corporations and individuals because of the increased spatial mobility of capital and unemployment, governments are faced with a fiscal crisis. This leaves government with all too little room to manoeuvre in responding to the social problems created by deindustrialization, or in taking independent action by way of an industrial policy. All this adds up to a social and economic crisis.

There is no easy solution to this dilemma. The current framework that guides economic policy at all levels of government

is seriously limited. This framework places considerable confidence in an autonomous private sector market. It assumes that the market and private investors, left on their own, will create the conditions for economic recovery and job expansion. In this context industrial policy at both the federal and provincial levels includes the reduction of tariffs, the move towards free trade, the reduction of social benefits as well as wages, lowering taxes on corporations and the wealthy, increasing depreciation allowances on capital investment, privatization, and the reinforcement of the private sector as the mechanism that determines investment and production priorities. Our analysis of the driving forces behind the large number of plant closures, layoffs and unemployment in Metropolitan Toronto calls this strategy into question. It is precisely because the framework encourages unrestrained capital mobility that the problem of deindustrialization and unemployment exists. Given the social, economic, technical, and political conditions governing global economic opportunities, the unrestrained market approach may create more problems than it will solve. At the very least it focuses exclusively on commercial achievment to the exclusion of social consequences.

For most of the post-war period, governments in Canada at all levels saw economic and social goals as interdependent. Redistribution through the agency of government was seen as a central element in the achievement of macroeconomic objectives.

The benefits and stability provided to most workers through the expansion of income security, housing, health, and labour protection was seen as desireable for social justice as well as essential for economic prosperity. Now social and economic objectives have been divorced, and economic goals are paramount. This orientation is questionable not only on social grounds, but there is a need also to question the economic rationality of policies that are socially destructive. No society can hope to prosper when so many of its people are insecure and their livelihoods are endangered. The foundation of a sound economy is people. If the security of people is ignored and human capital is left to deteriorate, then the society will suffer from economic and social stagnation.

5.2 The Role of Local Government

It has been said that local government can do little in the area of economic policy. Municipalities are but creatures of the province and have little scope for independent action and little flexibility in revenue generation or spending. This perspective ignores the need for all levels of government to develop a new framework for economic development.

The traditional framework that guides the commitment of

local government to industrial policy in Metropolitan Toronto is non-interventionist. This means that there is a belief that market forces and the price system alone can be relied on to make available a sufficient quantity and quality of investment to achieve employment and production objectives. The private sector will, within this context, determine the availabilty of economic resources, whether they will provide an adequate number of jobs, whether these jobs will be fairly distributed, and whether they will be producing products beneficial to Metro. The role of local government within this framework is to assure that any local factors constraining the adjustment of local markets be removed to allow firms to respond accurately and quickly to market price signals. At the municipal level this has mostly meant efforts to reduce the regulatory process faced by private investors, as well as assisting business to secure necessary local services and low-cost land. The most common element of the market strategy of local government is self-promotion, or boosterism, which involves advertising local advantages and projecting a pro-business orientation.

While this framework may lead to a nominal economic recovery, we are skeptical that it will lead to a substantial reduction in unemployment. As we are beginning to see, when a coporation prospers, the people who depend on it for their their livelihood do not necessarily share in that prosperity. In fact there is every indication that the pro-business orientation of

current economic policy will lead to increased capital mobility, or where capital remains, to a variety of labour shedding or deskilling strategies. It will, therefore, create more social inequality, community instability, unemployment and underemployment in the future.

A return to the unrestricted market will not be sufficient to stem the tide of job loss in Metropolitan Toronto or to replace the jobs lost with jobs of equal quality in other industries or sectors. Nor will municipalities be able to change the inevitable process of decline if they maintain their traditional limited role. The current conditions of international capital mobility suggest municipal governments too will have to develop a new framework for economic development and will have to define a more instrumental and effective role for themselves in the economic policy area. Municipalities can and should be a force in defining a new link between social and economic development. It will not be an easy task; it will be swimming against the current of existing convention. But it is essential that municipalities develop economic strategies that are alteratives to capital mobility, deindustrialization, and the destruction of community life.

5.3 A Strategy for Municipal Economic Development

5.3.1 A Municipal Economic Plan

Local governments are in a particularly favourable position to help define a new economic framework because they can quickly adapt to local circumstances and respond to local problems. It is likely that any successful strategy for economic recovery will require local initiative and local planning. First and foremost this requires a commitment to the preparation of a development plan for the local economy. Such a plan recognizes the importance of both public and private resources for economic and social development in the community.

Planning starts with an assessment of resources. This should include an evaluation of the capacity that exists for production in the form of un-utilized or underutilized labour, physical plant, and machinery. Currently there is a considerable waste of these important factors of production. An economic development plan would seek to allocate these resources according to a set of social and economic priorities. It would also assess the potential for production of a variety of product lines or services based on the unused and potential resources available

and on any favourable comparative advantages enjoyed by Metropolitan Toronto.

5.3.2 Planning for Whom?

A further aspect of economic planning has to do with who plans. The current framework guiding economic development seeks to reinforce the idea of managerial prerogative based on the doctrine of private property rights. This commitment is leading to a serious social and economic crises in Canada. But logic tells us that corporations exist not only to serve the interests of their shareholders and customers, but also the needs and interests of the wider community in which they operate. It is evident from our analysis that one of the major reasons why plants are being closed, industry is being reorganized, and jobs are being lost or degraded is because corporations have little loyalty to their workers or their communities. Private sector planning has not taken into account the needs and interests of the wider community. Accordingly economic planning, as conceived of here, requires that community needs be taken into account in addition to commercial interests. Democratic economic planning requires that workers and communities be involved in the preparation and implementation of any economic plan. These objectives do require a shift in the orientation of local governments in Metro. Communities are made up principally of

workers, and it is the interests of this vast majority that the priorities of the economic development plan must serve. In this way municipalities can mediate between competing interests of the community and the marketplace.

5.3.3 Defending Existing Jobs

The first priority should be the defence of existing jobs. In meeting this objective there are many options available to local governments. The following points suggest the dimensions of strategies that may be adopted.

The resources of local governments in Metro can be tapped to establish early warning systems to identify potential closures, layoffs or divestitures, and to permit early remedial strategies to be adopted. As part of a continuous program of monitoring the performance of individual industrial sectors in Metro, local municipalities can provide evaluation and analysis services. In this respect trade unions in the relevant sectors can participate with local governments in these activities. The intelligence gained through this monitoring would be valuable in the development of industry-wide and enterprise level plans.

When a plant is slated for closure in Metropolitan Toronto, unless it is large enough to attract national or provincial attention, it will be the municipality that will be immediately

faced with what should be done. A private investor will make a decision to invest or divest based on profitability alone. Profitability will be judged in light of the corporate bottom line, not the social balance sheet. Other criteria need to be considered in any rational plan for economic development. For example, a local government needs to consider how various kinds of investments contribute to employment and wages, if they use existing infrastructure and labour efficiently, if they have linkages to other industries and sectors that will enhance employment and wages overall, and, if they make a positive contribution to the economy in terms of stability, trade, and needed products. If these criteria are met, then the local government may choose to provide direct aid in the form of loans, technical assistance and equity investment to firms which require it.[1] Direct aid to enterprises can be useful for assistance to firms facing temporary adversity as well as for the development of new enterprises.

5.3.4 Financial Aid To Enterprises

Over the past several years, considerable experience has been gained in North America and Western Europe with the provision of direct financial aid. Particularly in North America, outright grants are often made to industry. But too frequently, recipients either take such aid and relocate if their

plant and equipment are mobile, or they fail take adequate measures of self help and restoration. More successful are two other kinds of direct financial aid. One is loans. These may be provided at commercial rates to viable firms which cannot attract support from conventional lenders. Alternatively, loans may be subsidized if deemed expedient by the municipal lender.

A second form of financial support is equity financing. This permits a broadening of the capital base of undercapitalized firms, possibly giving them subsequent access to capital markets. One major value of this approach is that it gives the municipality a window into the operation of assisted firms so that their performance can be monitored by the lender. This, of course, is a strategy used by other levels of government in Canada. Frequently, where the position of the assisted firms strengthens, the municipal share of ownership may be transferred to workers so that they achieve a collective ownership share in a firm which has benefitted from public action. This is an arrangement practiced with success by many local governments in Europe.

5.3.5 Enterprise Plans

Municipalities can assist in the development of enterprise plans for private firms that qualify for assistance and for

groups of workers who may be in a position to take over ownership of a firm that remains viable. Such support would be offered in return for commitments that might include short and medium term investment policies, product development strategies, conditions of employment, sharing of information between management and employees, support for trade unions, and the establishment of employment equity policies. In this mannner municipalities can play an important role in influencing the quality of employment while encouraging rational investment strategies by new firms or disabled firms that are worth saving.

5.3.6 Industrial Space

As well as providing direct financial aid to prevent job loss, municipal governments can play a useful role in land assembly and site preparation for industrial premises. Where the property market constrains the expansion and competitiveness of firms, local government can usefully intervene to provide low cost renovated buildings or new facilities built with an eye to flexible use and economy. This is one direction in which the City of Toronto is moving. Local governments also may build more specialized buildings for ownership, leaseback, or sale.

5.3.7 Organizational Support

Plant shutdowns frequently terminate production of profitable product lines as well as losers. Many local governments have assisted displaced workers or other unemployed workers to establish worker co-operatives to pick up production of profitable goods and, using the design and manufacturing skills thereby conserved, move into new areas of manufacture. However, good designers and machinists, for instance, do not necessarily make good managers, planners and sales people. Nor do the usual hierarchical patterns of work organization in the private sector make it easy for members of young producer co-ops to work out new collegial systems of enterprise. Consequently, municipal authorities, in conjunction with third sector advisors, can play an important role in helping people to develop new skills and processes of production.

5.3.8 Technology Networks

A further area of economic development activity being pioneered by municipal governments, particularly in Europe, is that of technology networks which link centres of research and development with producers in the community. The emphasis is on the discovery of socially useful products and services and their transfer to locally based organizations for production and

marketing.

5.3.9 Municipal Advocates

In defending existing jobs municipalities can join with organized groups of workers to act as advocates for improved plant closure legislation. There is evidence that stronger legislation which provides for longer periods of notification and greater compensation can help prevent decisions to close or lay off.[2] Layoff rates and unemployment due to layoffs are much lower in European countries and this has been attributed to the strength of layoff legislation in Europe compared to North America.[3]

Improved legislation to force employers to absorb a greater share of the costs of layoffs has been resisted in Ontario because of its perceived effect on investment. However, given the conditions that govern international investment, maintaining the status quo will help increase capital mobility if nothing else is done. We need policies to slow down the speed of capital mobility, to allow communities to develop alternate plans, or to prevent closings of profitable plants. The need for a procedure for public review of the decisions of employers to close plants or layoff workers was advocated by the Social Planning Council of Metropolitan Toronto in its 1980 report on layoffs. Such a

policy was then called a "public audit". The desirability of a public audit of private decisions which create social costs seems even more necessary today. Based on the findings of our case studies, numerous closures and layoffs in Metropolitan Toronto would have been subject to review. Had there been effective sanctions, like those employed in Europe, many shut downs and layoffs would have been deemed socially inefficient and would likely have been prevented. Plant closure legislation, of course, is the responsibility of the provincial government. This is another place where municipalities can adopt a strong advocacy role in defence of jobs and of workers' interests.

5.3.10 Municipal Procurement

Another potential strategy for saving or creating jobs lies in the procurement policies of local government through which very substantial purchases of goods and services can be directed to support local jobs. Despite efforts to reduce the role of governments in the economy through cutbacks and privatization, government in Metropolitan Toronto remains a principal and important employer. As such, it is well placed to expand employment with good and socially valuable jobs to compensate for cutbacks in the private sector. Communities traditionally provide for common needs through the collective provision of services by local government. This continued important role

should be recognized and expanded. Concretely this means that municipalities should resist contracting out, they should pioneer in the development of new services, and they should expand the impact of existing services.

5.4 When There's a Will

This analysis of deindustrialization suggests that traditional approaches to stimulating business investment will not work to restore adequate levels of employment or to provide an adequate number of secure, well-paying full-time jobs. It also suggests that the speed and magnitude of economic adjustment is a problem in itself. The solutions to these problems, as we have identified them, do run against the grain of current economic thinking and current policy approaches. It is our belief that government will have to play a much greater leadership role in developing alternative economic strategies. Municipal governments hold considerable potential as local economic initiators, inovators, and planners. Local government can seize the opportunity to be catalysts in the development of a new economic framework.

One thing is certain: the current framework that governs municipal government's economic policy is inadequate. It is

based on a superficial analysis of the determinants of manufacturing employment declines, and it naively relies on a market process alone to restore economic growth. Furthermore, it fails to grasp the integral relationship between economic prosperity and social well-being which converge in the local context. If we are to have any hope for a reduction in unemployment, governments at all levels will have to abandon the idea that the market process and the profit motive alone can rescue us from economic decline. In fact, as this analysis suggests, a continued reliance on this economic philospophy will worsen our unemployment situation and will continue to wreak havoc on the health and integrity of workers and their communities.

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1. Under the Ontario Municipal Act of enabling legislation would be required for this purpose

2. Leon Muszynski, Donna Krawetz, "Layoffs and Unemployment: Job Retention as a Policy Issue" Working Papers for Full Employment, #2, Social Planning Council of Metropolitan Toronto, 1980.

3. Roger Kaufman, "Why is the U.S. Unemployment Rate So High? Unemployment and Inflation: Institutionalist and Structuralist Views, ed. Michael J. Piore, New York. M.E. Sharpe, 1979, p.p. 155-169.